

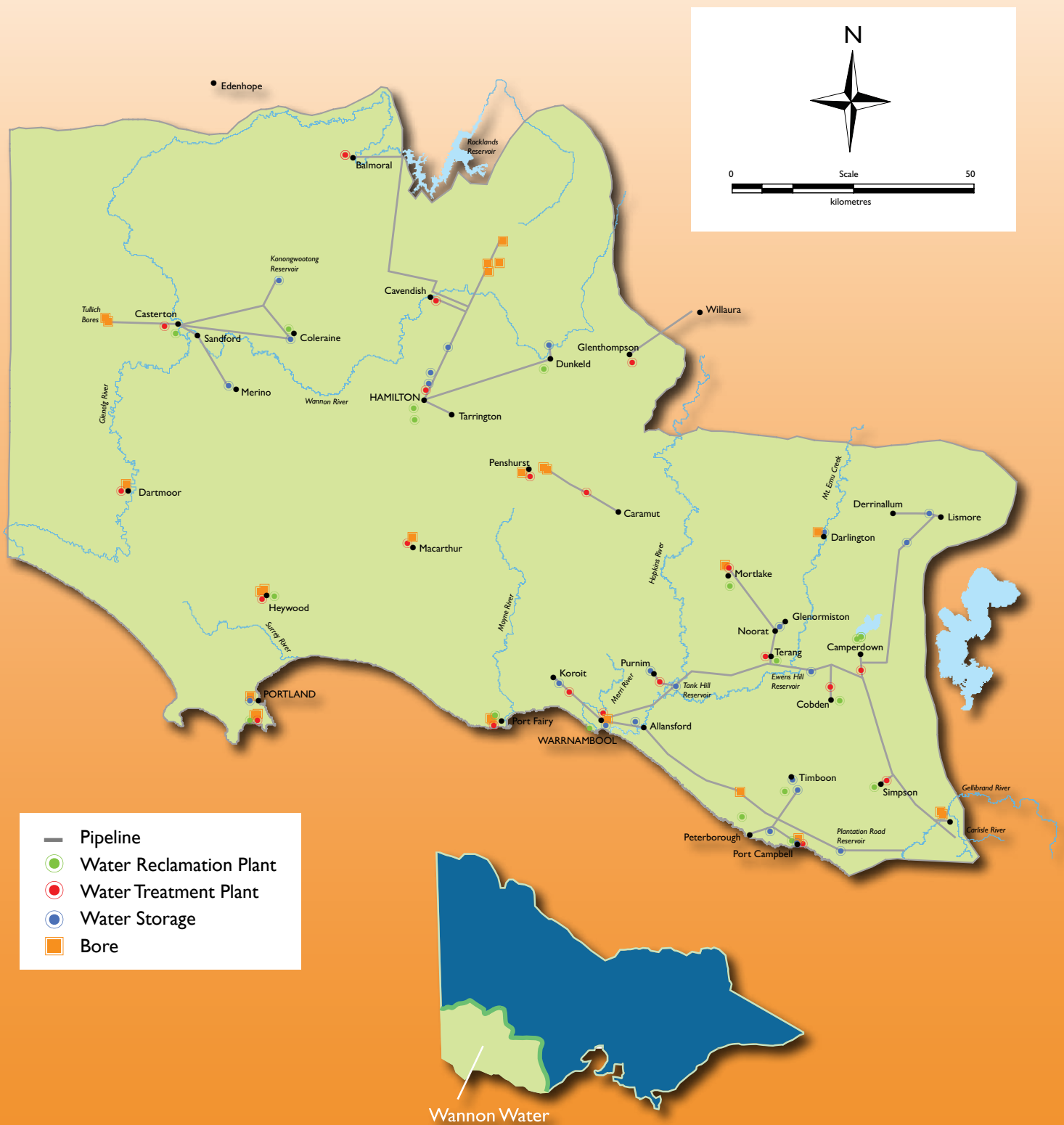


# ANNUAL REPORT



# 2013/14

## REGIONAL MAP



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## Our vision

To be recognised for excellence in integrated water services.

## Our mission

To provide secure, safe, reliable and innovative integrated water services to communities in south-west Victoria.

## Our strategic objectives

- Integrated water management
- Deliver customer value
- Maximise business efficiency
- Robust decision making
- Maintain financial viability
- Grow organisational capability

## Our values

### Think It!

- Be creative & innovative
- Embrace change & new ideas
- Show initiative
- Rise to the challenge

### Work It!

- Act today for tomorrow
- Deliver & add value
- Get on board & have fun
- Listen, learn, share & grow

### Own It!

- Follow through
- Take responsibility
- Walk the talk
- Celebrate our successes

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# CHAIRMAN AND MANAGING DIRECTOR'S REPORT

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Wannon Water again delivered a strong financial result with a profit before tax of \$2.61 million.

Consistent with our Board's commitment to deliver affordable pricing outcomes for customers, Wannon Water reduced its water and sewerage prices in real terms for the reporting period. This was achieved without compromising service standards. Wannon Water plans to absorb cost increases for the next four years and pass on the savings to customers by way of price reductions.

During the reporting period the Victorian Government announced its *Fairer Water Bills* initiative. Wannon Water responded by identifying further potential capital and operational cost saving opportunities. In June 2014, Victorian Premier Denis Napthine announced that Wannon Water will provide its residential water customers with an annual \$70 bill reduction for the next four financial years – a total saving of \$280. This is a terrific outcome for our residential customers, who can look forward to further real reductions in their Wannon Water bills from 2014/15.

Wannon Water self-funded the \$20.24 million of capital works completed, including the new Portland water reclamation plant, our largest ever investment in Portland. Officially opened by the Premier on 21 March 2014, this plant delivers compliance with EPA licence requirements and will service growth in future years. Wannon Water also completed the Dutton Way sewerage scheme project.

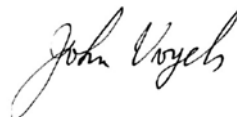
Wannon Water reduced non-revenue water loss by 22 per cent and the innovative aquaculture project moved from the research phase to be integrated into the sewage treatment process at the Hamilton water reclamation plant.

Wannon Water's award-winning Regional Roof Water Harvesting project continued to receive accolades, winning the Stormwater Victoria *Excellence in Research and Innovation Award* in September 2013. This urban water catchment project continues to expand in Warrnambool, with the number of houses connected to the scheme increasing by 23 per cent during the reporting period.

In 2014/15, Wannon Water will undertake \$21.96 million of capital works to service growth corridors and further improve services for our customers. A wind generator will be constructed at the Portland water reclamation plant to significantly reduce Wannon Water's energy costs.

Wannon Water continues to demonstrate leadership in innovation, business efficiency and water supply security and is proud of its achievements in 2013/14. Wannon Water is committed to continuous improvement and will continue to innovate and implement cost saving initiatives to keep prices affordable for our customers while maintaining high service standards.

In accordance with the *Financial Management Act 1994*, we attest that Wannon Region Water Corporation's annual report is compliant with all statutory reporting requirements.



**John Vogels**  
**Chairman**  
**15 August 2014**



**Grant Green**  
**Managing Director**  
**15 August 2014**

# 2013/14

## YEAR IN REVIEW

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### GOVERNANCE HIGHLIGHTS

- ✓ Successfully passed the biennial Drinking Water Regulatory Audit
- ✓ OH&S system certification maintained
- ✓ Environmental Management System ISO certification maintained
- ✓ HACCP water quality management system certification maintained
- ✓ A suite of corporate strategies were developed
- ✓ Construction of a groundwater bore at Curdievale underway to mitigate risk to Otway system security of supply
- ✓ Risk management framework reviewed

### SOCIAL HIGHLIGHTS

- ✓ Reduced water and sewerage prices in real terms
- ✓ High customer satisfaction rating of 93 per cent water maintained
- ✓ Premier announced Wannon Water's commitment to deliver a \$70 bill reduction for residential water customers for the next four financial years
- ✓ Awarded a third consecutive certificate of commendation at the 2014 Sir Rupert Hamer Awards for excellence in records management
- ✓ 'MyPost Mailbox' service made available to customers, providing flexible online bill delivery and payment options
- ✓ Minister for Aboriginal Affairs, Tim Bull MP, opened the Quiet Place at Konongwootong Reservoir in recognition of the Indigenous cultural heritage values associated with the site
- ✓ Lost Time Injury Severity Rate reduced by 81 per cent
- ✓ *Water It, Grow It, Cook It* kitchen garden competition re-launched for local schools
- ✓ 5,400 refillable water drink bottles distributed to community groups and schools
- ✓ Launched the 'Choose Tap' campaign to promote the benefits of drinking tap water compared to bottled water and other beverages
- ✓ Employee mentoring program established for emerging leaders and OHS leadership program
- ✓ Supported the Future Leaders of Industry program in Portland

### ECONOMIC HIGHLIGHTS

- ✓ Profit before tax of \$2.61 million
- ✓ Favourable gearing ratio of 13.34 per cent
- ✓ Self-funded \$20.24 million annual capital works program
- ✓ Premier officially opened the Warrnambool brine receival facility to receive saline trade wastes
- ✓ Premier officially opened the new Portland water reclamation plant
- ✓ Camperdown industrial water reclamation plant upgrade officially opened
- ✓ Premier officially opened the Dutton Way Sewerage Scheme

### ENVIRONMENTAL HIGHLIGHTS

- ✓ Innovative aquaculture project moved from research phase to operational phase at the Hamilton water reclamation plant
- ✓ Warrnambool Roof Water Harvesting Project awarded the Stormwater Victoria Award for Excellence
- ✓ Non-revenue water reduced by 22 per cent
- ✓ Ecological burn and weed control program at Dunkeld Water Reclamation Plant
- ✓ Commenced research to reduce grass-cutting costs at operational sites through the introduction of indigenous plants
- ✓ 92 per cent of biosolids beneficially reused
- ✓ Research undertaken with Deakin University to identify aquatic biodiversity in water storages
- ✓ Completed a review of renewable energy generation options at the Portland water reclamation plant site
- ✓ Participated in collaborative water industry benchmarking of energy efficiency of major treatment plants and pump stations.

# 2013/14 YEAR IN REVIEW

## About us

Wannon Water (Wannon Region Water Corporation) is a regional urban water corporation wholly owned by the Victorian State Government.

Wannon Water was constituted under the *Water Act 1989* as a statutory corporation in July 2005. The Hon. Peter Walsh, MLA, Minister for Water, was the responsible Minister during the reporting period.

Our service area extends over 23,500 square kilometres in South West Victoria. The Warrnambool City, Corangamite Shire, Glenelg Shire, Moyne Shire and Southern Grampians Shire Councils are all within our service area.

Wannon Water provides reticulated water and sewerage services to more than 82,000 residents. Our functions include the collection, storage, treatment and delivery of water; the collection and treatment of sewage and trade waste; and water recycling.

Our \$592 million assets include pipelines, reservoirs, water treatment plants, water reclamation plants and recycled water plants.

## Customers

Our customers base is composed of 85 per cent residential customers, 11 per cent business customers and 4 per cent rural customers.

## Water systems

Wannon Water supplies water from a diverse range of water sources, including surface water catchments, geothermal and shallow groundwater aquifers.

Our water systems include the:

- Otway system, sourced from the Gellibrand River catchment (and groundwater), which supplies water to Warrnambool, Simpson, Cobden, Camperdown, Glenormiston, Lismore, Derrinallum, Terang, Mortlake, Purnim, Allansford and Koroit
- Grampians system, sourced from streams in the southern Grampians catchment, which supplies water to Hamilton, Cavendish, Dunkeld and Tarrington (this system is augmented by water piped from Rocklands Reservoir as required)
- Balmoral system, sourced from Rocklands Reservoir in the southern Grampians
- Glenthompson system, sourced from a local catchment and groundwater
- Dartmoor, Heywood, Peterborough, Port Campbell, Port Fairy, Portland and Timboon systems, all sourced from the deep Dilwyn Aquifer
- Caramut, Casterton, Coleraine, Darlington, Macarthur, Merino, Penshurst and Sandford are supplied with water sourced from shallow aquifers.

Customer segment	Number of customers	Total water consumption (megalitres)	Percentage of total consumption	3-year average consumption (megalitres)	Average consumption per customer 2013/14 (kilolitres)
Residential	35,597	5,000	44%	5,056	140
Business	4,660	3,950	35%	3,582	848
Rural	1,751	2,410	21%	2,507	1,376
<b>Total</b>	<b>42,008</b>	<b>11,360</b>	<b>100%</b>	<b>11,145</b>	<b>270</b>

## Corporate intent

Wannon Water's statement of corporate intention incorporates our strategic directions and objectives for the future.

In the reporting period the six key objectives were:

### ***Integrated Water Management***

- To supply fit-for-purpose water products now and for the future by developing and implementing integrated solutions utilising the range of water resources within our region.

### ***Deliver Customer Value***

- To deliver long-term value to our customers by supplying water-related products and services that reflect their expectations for quality, reliability and price.

### ***Maximise Business Efficiency***

- To maximise the efficiency of our business by using our initiative, embracing innovation and investing in assets and technology that minimise whole-of-life costs.

### ***Robust Decision Making***

- To ensure our decision making is evidence-based and robust by implementing management and information systems based on externally recognised principles and standards relevant to our business.

### ***Maintain Financial Viability***

- To maintain our financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.

### ***Grow Organisational Capability***

- To grow the capability of our organisation by investing in the skills and wellbeing of our employees.

## Capital expenditure

Wannon Water completed \$20.24 million of capital works in the reporting period to further enhance the delivery of water, sewerage and trade waste services and to service growth in south-west Victoria.

Projects with capital expenditure greater than \$0.25 million in the reporting period include:

Project	Total project cost (\$ million)	2013/14 expenditure (\$ million)	Future commitments (\$ million)
Portland water reclamation plant	15.04	1.85	0.18
West Portland sewerage scheme	3.80	0.94	0.20
Dutton Way sewerage scheme	3.50	1.83	0.03
Information technology upgrades	1.16	1.16	0.00
Curdievale bore construction	1.04	0.89	0.97
Wollaston Road, Warrnambool, water supply main	0.93	0.93	0.02
Hamilton water treatment plant sludge drying pans	0.88	0.88	0.07
Port Campbell-Timboon water transfer main - stage 2	0.64	0.64	0.06
SCADA project	0.26	0.26	0.09
Warrnambool water reclamation plant blower replacement	0.25	0.25	0.66

# 2013/14

## YEAR IN REVIEW

### At a glance

System	2013/14	Change (%)	2012/13	Change (%)	2011/12	Change (%)	2010/11	Change (%)	2009/10	Change (%)
Population served	82,941	0.8	82,281	0.4	81,945	1.2	80,937	1.1	80,019	1.6
Connected properties (water)	42,008	1.1	41,550	0.8	41,236	1.4	40,671	1.5	40,074	1.5
Connected properties (sewerage)	35,419	1.2	35,009	0.9	34,690	1.3	34,251	1.5	33,746	1.7
Water treatment plant volumes (ML)	11,604	-4.7	12,176	1.9	11,946	7.7	11,093	-9.1	12,200	-2.7
Water reclamation plant volumes (ML)	10,786	14.3	9,436	-5.4	9,975	-12.4	11,385	15.3	9,878	9.4
Employee numbers (FTE)	203	-0.5	204	-1.9	208	5.6	197	3.7	190	1.6
Number of days lost to injury	10	-68.8	32	-53.6	69	245.0	20	-91.7	241	-13.6
Total revenue (\$'000)	73,432	-4.2	76,680	-4.2	80,028	36.8	58,510	15.2	50,773	10.2
Net operating result before tax (\$'000)	2,606	-69.7	8,593	75.0	4,911	245.4	1,422	185.0	499	-68.5
Total assets (\$'000)	591,681	-1.4	600,351	1.3	592,431	3.0	575,163	1.1	569,165	9.0
Capital expenditure (\$'000)	20,237	-16.0	24,106	-21.8	30,820	80.6	17,070	-63.3	46,450	54.2



# HIGHLIGHTS

## 2013/14

### Portland water reclamation plant supports regional growth

Portland's sewage is now treated to the highest environmental standards following a \$13.5 million upgrade of Portland's water reclamation plant.

The new facility, Wannon Water's largest ever investment in Portland, was officially opened by Victorian Premier Denis Naphthine on 21 March 2014 and will improve the treatment of sewage for Portland's 5,200 existing sewerage customers.

Speaking at the opening, Dr Naphthine said, "The plant will cater for future growth in Portland and the wider region and will deliver a long-term waste management solution for local industries and the community well into the future".

"Importantly, the upgrade will also significantly improve the quality of water recycled from the plant."

The new plant uses aeration and micro-organisms to improve the treatment process. The water reclaimed from the process is treated to meet Environmental Protection Authority standards for release in the ocean, while the solids can be used as a soil conditioner on nearby farms.

The water reclamation plant is just one of several recent investments in the Portland's sewerage infrastructure, with the Dutton Way Sewerage Scheme also officially opened by Dr Naphthine and the West Portland Sewerage Scheme nearing completion. The plant has the capacity to treat the additional sewage loadings from these new sewerage schemes.

Wannon Water is pleased to have delivered these infrastructure investments while keeping price increases below the cost of CPI for Portland customers.



Above: Wannon Water Chairman John Vogels and Victorian Premier Denis Naphthine unveil the commemorative plaque at the opening of the Portland water reclamation plant.

### Fairer Water Bills reduction for residential water customers

During the reporting period Wannon Water identified capital and operational cost savings to deliver lower household water bills for customers.

Wannon Water will provide urban residential water customers across its service region with an annual \$70 bill reduction each year for the next four years, commencing from 1 July 2014.

The \$70 bill reduction is part of the Victorian Government's *Fairer Water Bills* initiative to relieve cost-of-living pressures on Victorian households and reflects Wannon Water's commitment to delivering affordable pricing outcomes for its customers through to 2018.

Wannon Water will offset the reduction in revenue by implementing capital and operational cost saving initiatives without compromising service standards or existing hardship protections for vulnerable customers.

The \$70 bill reduction will apply each year for the next four years – a total saving of \$280 – and is in addition to the 5.9 per cent average real price reduction Wannon Water has previously committed to delivering over the 2013-18 regulatory period.

All Wannon Water residential households who pay water usage charges will receive the \$70 saving and it will appear as a credit on the first quarterly bill issued each year for the next four years.

This is a terrific outcome for residential customers, who can look forward to real reductions in their Wannon Water bills from 2014/15.



Above: Wannambool customer Rebecca Kimura and her children, Ester and Oliver, join Victorian Premier Denis Naphthine and Wannon Water Director Russell Worland in announcing the Fairer Water Bills bill reductions in June 2014.

# FINANCIAL SUMMARY

Strategic objective: maintain financial viability

**Wannon Water maintains financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.**

Wannon Water achieved a net profit before tax of \$2.6 million for the reporting period. This was a \$5.6 million improvement on the budget for the year. The implementation of efficiency initiatives delivered \$5.1 million in operational expenditure savings compared to budget.

The Corporation generated \$26.4 million cash from operating activities which enabled \$20.2 million in capital investments in infrastructure and a decrease in interest bearing liabilities of \$9.8 million.

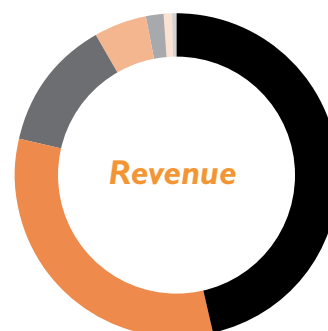
The table below provides the financial highlights in 2013/14 compared with the previous four years.

Financial result	2013/14 (\$'000)	2012/13 (\$'000)	2011/12 (\$'000)	2010/11 (\$'000)	2009/10 (\$'000)
Core business revenue	69,340	68,532	61,628	52,158	45,539
Capital revenue	613	921	12,730	802	1,060
Government contributions	107	1,340	621	674	500
Other revenue	3,372	5,887	5,049	4,876	3,674
<b>Total revenue</b>	<b>73,432</b>	<b>76,680</b>	<b>80,028</b>	<b>58,510</b>	<b>50,773</b>
Operating expenditure	40,242	37,868	40,687	35,415	32,796
Depreciation & amortisation expenditure	23,873	23,362	25,445	13,217	11,707
Finance costs	5,647	5,979	5,873	5,854	4,881
Other expenditure	1,064	878	3,112	2,602	890
<b>Total expenditure</b>	<b>70,826</b>	<b>68,087</b>	<b>75,117</b>	<b>57,088</b>	<b>50,274</b>
<b>Net result before tax</b>	<b>2,606</b>	<b>8,593</b>	<b>4,911</b>	<b>1,422</b>	<b>499</b>
Current assets	18,346	21,048	16,249	14,435	13,991
Non-current assets	573,335	579,303	576,182	560,728	555,174
<b>Total assets</b>	<b>591,681</b>	<b>600,351</b>	<b>592,431</b>	<b>575,163</b>	<b>569,165</b>
Current liabilities	20,362	21,177	19,053	15,619	18,805
Non-current liabilities	105,945	115,248	116,073	106,798	102,051
<b>Total liabilities</b>	<b>126,307</b>	<b>136,425</b>	<b>135,126</b>	<b>122,417</b>	<b>120,856</b>
Net cash flows from operations	26,409	27,241	19,446	12,545	13,855
Payments for property, plant and equipment (including infrastructure)	20,237	24,106	30,820	17,070	46,450

## Our revenue

Total revenue reduced by \$3.25 million in 2013/14 compared to the previous year. However, excluding the contribution of grants for assets (\$1.34 million) and found assets (\$1.8 million) recognised in the previous year, total revenue reduced by only \$0.11 million.

Service charge revenue remained steady in 2013/14, reflecting customers' bills increasing by less than inflation during the period. Usage charges increased by \$1.24 million (4.08 per cent), the result of increased volumes of trade waste received and treated.

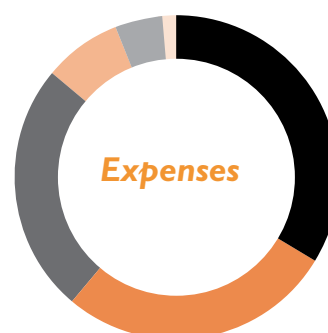


46%	Sewerage charges including trade waste
32%	Volumetric water usage charges
14%	Fixed water service charges
5%	Other income
2%	Gifted assets
1%	New customer/developer contributions
0%	Government grants

## Our expenses

Total expenses increased by \$2.74 million compared to the previous year:

The increase in expenses was due to a 5 per cent increase (\$0.85 million) in employee costs, a 2.8 per cent increase (\$0.54 million) in supplies & services expenditure, a 2.2 per cent increase (\$0.5 million) in depreciation & amortisation and a 63 per cent increase (\$0.99 million) in the environmental levy contribution. Borrowing costs reduced by 5.6 per cent (\$0.33 million).

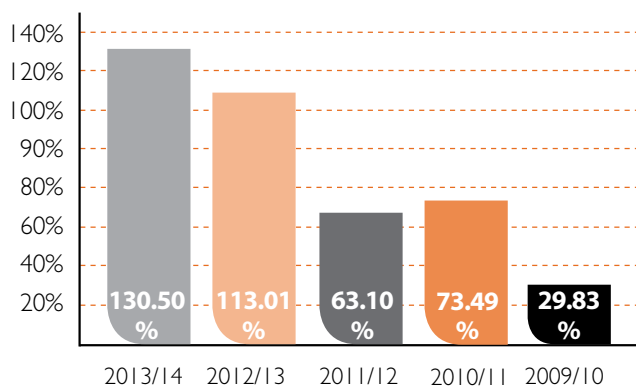


34%	Depreciation and amortisation
28%	Supplies and services
25%	Employee benefits
8%	Borrowing costs
4%	Environmental contribution levy
1%	Net loss on disposal of assets

# FINANCIAL SUMMARY

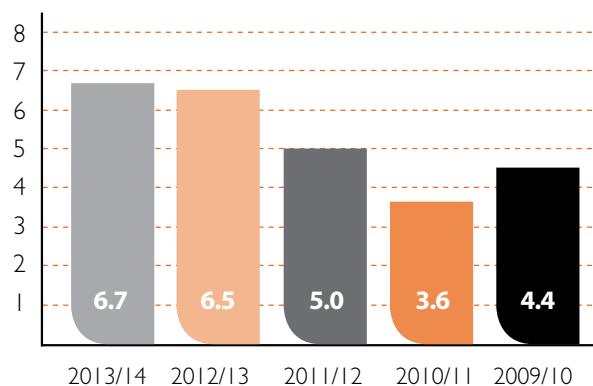
## Summary of financial performance indicators

INTERNAL FINANCING RATIO



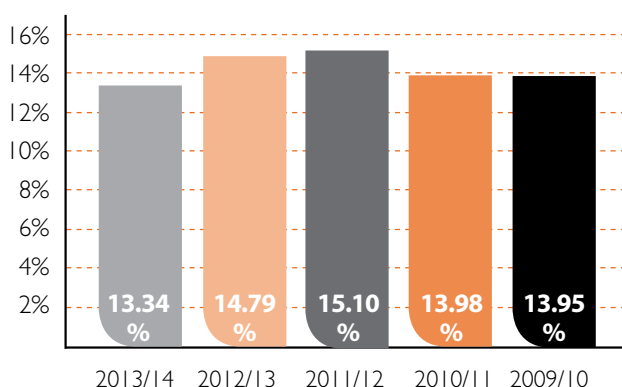
The internal financing ratio measures the portion of capital works paid for from operating cash flows. The 2013/14 result indicates that 100 per cent of capital works payments were funded by cash received from operating activities. This is the second year in a row that Wannon Water has funded all investment in infrastructure from operating activities.

INTEREST COVER - CASH (TIMES)



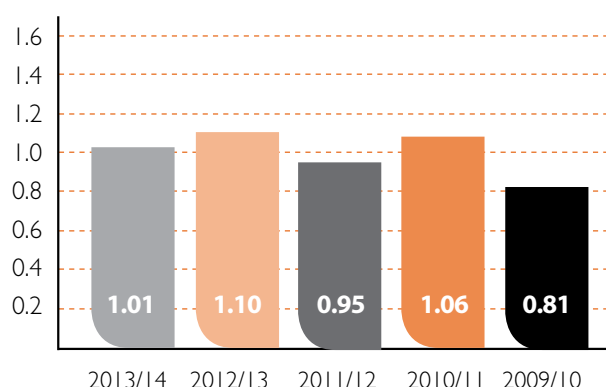
Reducing interest costs during 2013/14 is the sole explanation for the three per cent increase on the previous year. The ratio shows that cash received from operating activities was 6.7 times that of interest costs paid.

GEARING RATIO (DEBT TO ASSETS)



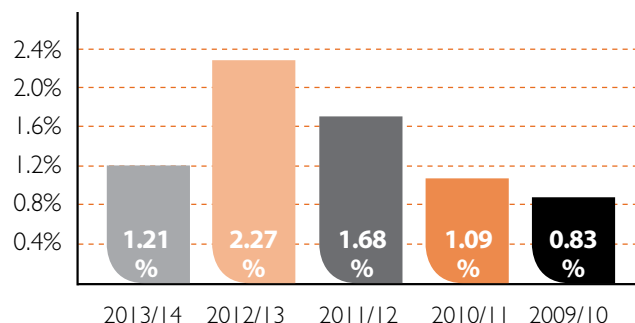
Interest bearing liabilities reduced by \$9.8 million during 2013/14 resulting in a significant decline in the gearing ratio. The decline is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.

CURRENT RATIO (TIMES)



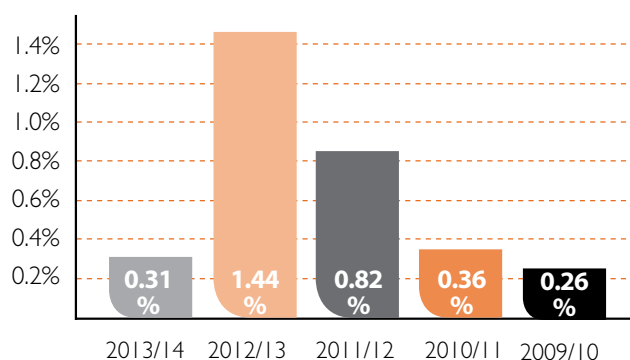
The ratio measures how comfortably the payment of short-term liabilities can be covered by Wannon Water's short-term assets. A ratio result greater than one indicates that Wannon Water's short-term assets are greater than its short-term liabilities.

### RETURN ON ASSETS



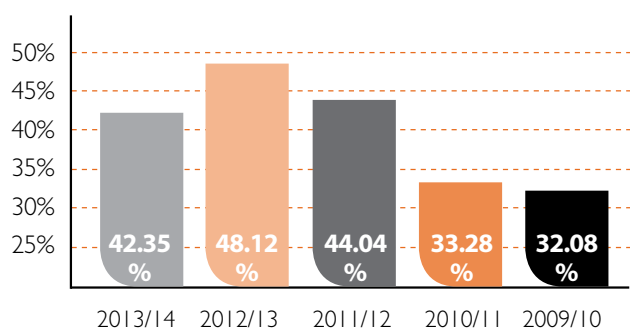
Indicates how much profit Wannon Water has generated from every dollar in assets. The ratio is low as assets are significant in value and Wannon Water does not aim to generate large profits.

### RETURN ON EQUITY



Indicates how much profit Wannon Water has generated from every dollar in ownership interest (equity). The ratio is low as equity is significant in value and Wannon Water does not aim to generate large profits.

### EBITDA MARGIN



This indicator measures Wannon Water's operating profitability. The result indicates that Wannon Water's earnings (before interest, tax, depreciation and amortisation) are less than half total revenue.

## Significant changes in financial position during the year

There were no significant changes in financial position during the 2013/14 reporting period.

## Events subsequent to balance date

At the time of printing this annual report Wannon Water was not aware of any events subsequent to balance date that would significantly impact its operations.

## Future challenges

Wannon Water plans to undertake \$21.96 million of capital works in 2014/15, fully funded through cash flows from operating activities. However, new borrowings will be required to fund maturing borrowings during 2014/15.

## Attestation on compliance with the Australian/New Zealand Risk Management Standard

I, John Vogels, certify that the Wannon Region Water Corporation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000-2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Audit and Risk Management Committee verifies this assurance and that the risk profile of the Wannon Region Water Corporation has been critically reviewed within the last 12 months.

**John Vogels**  
Chairman  
Wannon Water  
15 August 2014



# SOCIAL SUSTAINABILITY

Strategic objective: deliver customer value

**Wannon Water strives to deliver long-term value to customers by supplying water-related products and services that reflect customer expectations for quality, reliability and price.**

## Customer value

Wannon Water enhanced customer value in 2013/14 by reducing water and sewerage prices in real terms for many of our customers while maintaining levels of service to customers. Wannon Water made the Australia Post 'MyPost Mailbox' available during the reporting period, providing an additional

flexible bill delivery and payment option for customers. There has been a steady uptake in this facility from customers seeking more convenient methods of bill delivery since it was introduced at Wannon Water.

## Community Service Obligations

Wannon Water provided the following community service obligation rebates and grants to eligible customers:

Community Service Obligations	2013/14 (\$)	2012/13 (\$)	2011/12 (\$)	2010/11 (\$)	2009/10 (\$)
Concession card rebates	2,899,696	2,641,712	2,581,979	2,345,036	2,258,560
Not-for-profit organisation rebates	257,705	260,501	257,211	246,233	244,139
Utility relief grant scheme	98,332	57,663	52,502	48,618	68,072
Water usage life machine rebates	660	298	979	1,396	1,699
Hardship relief grant scheme (Sewerage scheme connections)	0	0	0	0	0
<b>Total</b>	<b>3,256,383</b>	<b>2,960,174</b>	<b>2,892,671</b>	<b>2,641,283</b>	<b>2,572,470</b>

## Customers experiencing financial hardship

Wannon Water provided tailored assistance to customers in financial hardship, including:

- encouraging customers receiving Centrelink payments to use the Centrepay facility
- assisting customers to complete government-funded rebate and grant scheme applications
- providing information on how to reduce household water consumption
- referring customers to a free independent financial counseling service
- waiving interest on overdue charges, providing relief for unexpected high water use, providing bonus credits and waiving long-term debt for customers in genuine financial hardship.

Customer assistance	No. customers 2013/14	Total value 2013/14 (\$)	No. customers 2012/13	Total value 2012/13 (\$)	No. customers 2011/12	Total value 2011/12 (\$)	No. customers 2010/11	Total value 2010/11 (\$)
High water usage allowances	196	100,747	279	108,888	273	138,619	167	82,086
Hardship rebates	372	113,874	243	88,193	134	76,910	252	98,398
Fire service not-for-profit hardship rebate	0	0	7	8,537	7	8,537	7	8,537
<b>Total</b>	<b>568</b>	<b>214,621</b>	<b>529</b>	<b>205,618</b>	<b>414</b>	<b>224,066</b>	<b>426</b>	<b>189,021</b>

Flexible installment payment plans were offered to customers who preferred to pay by regular installments. The number of customers on installment plans at the end of the reporting period increased by three per cent in 2013/14.

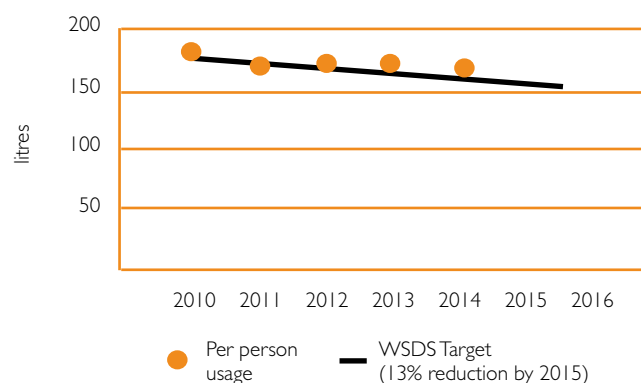
Flexible payment arrangements as at 30 June	2013/14	2012/13	2011/12	2010/11	2009/10
Number of customers on installment payment plans	2,648	2,561	2,028	1,574	1,608
Total value of installment payment plans (\$)	967,537	1,139,790	659,490	562,801	590,977

## Water consumption

Total water consumption decreased by 2.2 per cent to 11,360 megalitres in 2013/14.

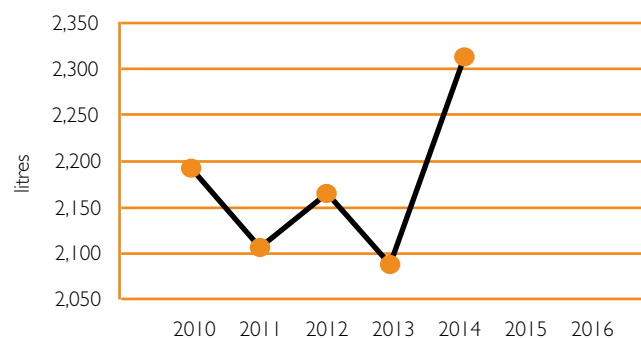
Average residential water use per person per day was 165 litres, down from 172 litres in 2012/13.

### Residential water use (litres per person per day)



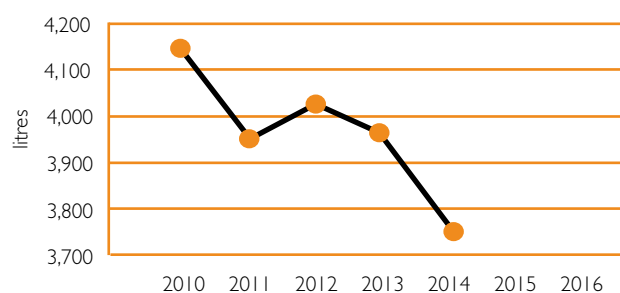
While residential population has grown about one per cent a year since 2010, residential water use has declined over this period.

### Non-residential water use (litres/connection/day)



Non-residential water use increased due to business growth in south-west Victoria, particularly in dairy manufacturing.

### Rural (non-potable) water use (litres/connection/day)



Rural water use decreased by five per cent in 2013/14. Rural water use is largely weather-dependent and, therefore, prone to fluctuations from year to year.

# SOCIAL SUSTAINABILITY

## Water consumption by city/town (megalitres)

System	Residential customers		Non-residential customers		Rural customers		Total consumption		3-year average annual consumption (ML)	Weekly household consumption (kL)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)		
Allansford	308	50.0	40	47.9	7	15.0	355	112.9	108.4	3.1
Balmoral	105	13.4	30	8.7	17	9.6	152	31.7	30.1	2.4
Balmoral Pipeline*	-	-	-	-	2	2.8	2	2.8	4.6	-
Camperdown	1,586	231.3	218	134.6	-	-	1,804	365.9	336.6	2.8
Camperdown Rural	-	-	-	-	388	493.7	388	493.7	549.3	-
Caramut	54	8.4	14	4.8	7	2.8	75	15.9	15.1	3.0
Caramut Pipeline*	-	-	-	-	12	2.8	12	2.8	3.5	-
Casterton	817	101.7	149	47.4	23	5.7	989	154.8	159.9	2.4
Cavendish	67	7.3	22	2.6	4	1.1	93	11.0	10.4	2.1
Cobden Rural	-	-	-	-	19	20.4	19	20.4	19.6	-
Cobden Urban	703	104.1	100	367.0	87	88.3	890	559.5	546.2	2.8
Coleraine	512	55.1	85	19.2	15	5.7	612	79.9	84.9	2.1
Coleraine Pipeline*	-	-	-	-	3	0.3	3	0.3	0.2	-
Darlington*	19	3.7	3	0.8	-	-	22	4.5	2.1	3.7
Dartmoor	124	9.7	17	4.4	-	-	141	14.1	13.9	1.5
Dunkeld	303	44.0	51	17.6	28	7.5	382	69.0	68.0	2.8
Glenthompson	98	7.6	25	1.4	8	0.8	131	9.7	12.3	1.5
Hamilton	4,692	665.3	647	210.0	45	84.3	5,384	959.6	958.1	2.7
Hamilton Pipeline*	-	-	-	-	41	15.7	41	15.7	16.7	-
Heywood	643	86.1	105	29.6	8	2.1	756	117.8	129.0	2.6
Konongwootong Pipeline*	-	-	-	-	51	43.9	51	43.9	43.7	-
Koroit	702	93.3	56	132.5	2	2.6	760	228.4	167.1	2.5
Lismore & Derrinallum	341	40.4	72	12.8	75	49.2	488	102.5	106.8	2.3
Macarthur	141	15.6	35	3.0	2	1.0	178	19.6	17.9	2.1
Merino	128	14.4	17	3.7	37	13.3	182	31.4	33.9	2.2
Mortlake	568	81.1	115	48.0	5	3.8	688	132.9	117.1	2.7
Noorat & Glenormiston	158	27.1	17	42.7	77	58.1	252	128.0	128.7	3.3
North Otway Pipeline*	-	-	1	8.2	453	1,288.8	454	1,297.0	1,345.9	-
Penshurst	264	39.2	54	14.8	3	0.4	321	54.4	52.9	2.8
Peterborough	323	18.8	14	11.3	8	10.0	345	40.1	36.3	1.1
Port Campbell	254	27.9	41	34.3	-	-	295	62.3	55.8	2.1
Port Fairy	2,047	250.2	230	355.2	2	0.2	2,279	605.6	589.7	2.3
Portland	5,055	690.1	699	804.5	6	1.4	5,760	1,495.9	1,422.8	2.6
Purnim	-	-	-	-	89	18.8	89	18.8	15.6	-
Sandford	56	9.7	7	2.3	28	9.0	91	20.9	18.4	3.3
Simpson	78	11.6	18	62.6	10	18.5	106	92.7	84.9	2.8
Tarrington	135	19.0	5	1.7	17	4.8	157	25.6	27.7	2.7
Terang	944	138.0	143	51.5	1	7.2	1,088	196.8	199.7	2.8
Timboon	413	54.7	77	40.0	104	77.2	594	171.9	169.8	2.5
Tullich Pipeline*	-	-	-	-	7	1.5	7	1.5	1.3	-
Warnambool	13,959	2,081.5	1,553	1,424.6	30	26.4	15,542	3,532.6	3,423.8	2.9
Willaura Pipeline*	-	-	-	-	30	15.4	30	15.4	15.6	-
<b>Totals</b>	<b>35,597</b>	<b>5,000</b>	<b>4,660</b>	<b>3,950</b>	<b>1,751</b>	<b>2,410</b>	<b>42,008</b>	<b>11,360</b>	<b>11,144</b>	<b>2.7</b>

\* Non-drinking water districts

## Total drinking and non-drinking water consumption (megalitres)

City/Town	Residential customers		Non-residential customers		Rural customers		Total consumption		3-year average annual consumption (ML)
	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	No.	Volume (ML)	
Drinking water	35,578	4,996.5	4,656	3,940.9	1,152	1,038.9	41,386	9,976.2	9,710.4
Non-Drinking Water	19	3.7	4	9.0	599	1,371.1	622	1,383.8	1,433.6
<b>Totals</b>	<b>35,597</b>	<b>5,000</b>	<b>4,660</b>	<b>3,950</b>	<b>1,751</b>	<b>2,410</b>	<b>42,008</b>	<b>11,360</b>	<b>11,144</b>

## Water consumption by system (megalitres)

System	2013/14 volume (ML)	Change (%)	2012/13 volume (ML)	Change (%)	2011/12 volume (ML)	Change (%)	2010/11 volume (ML)	Change (%)	2009/10 volume (ML)	Change (%)
East Dilwyn	274.3	0	274.9	3	265.9	9	245.0	-16	293.1	7
Grampians	1,140.6	-11	1,284.5	10	1,163.2	18	983.0	-10	1,090.4	-6
Other	141.1	-13	162.0	20	135.6	26	107.7	-30	154.7	-6
Otway	7,281.9	-1	7,370.0	0	7,348.9	9	6,730.1	-7	7,220.7	-6
Tullich	288.8	-10	322.0	0	320.7	27	252.7	-29	356.8	-8
West Dilwyn	2,233.4	1	2,206.4	2	2,167.7	4	2,091.9	-8	2,286.1	-9
<b>Totals</b>	<b>11,360</b>	<b>-2</b>	<b>11,620</b>	<b>2</b>	<b>11,402</b>	<b>10</b>	<b>10,410</b>	<b>-9</b>	<b>11,402</b>	<b>-6</b>

## Non-revenue water

In 2013/14 the total volume of non-revenue water was 1,528.3 megalitres, down from 1,960.5 megalitres in 2012/13.

## Corporate water consumption

Apart from office-based water use, consumption at other Wannon Water sites is difficult to determine and compare, as consumption includes operational usage (at treatment plants, etc.) as well as employee water usage.

Office location	FTE (No.)	Office space (m <sup>2</sup> )	Water consumption (kL)	kL/FTE	Water consumption by office space (L/m <sup>2</sup> )
25 Gateway Rd, Warrnambool*	118	3,530.0	338	2.9	96
15 Townsend St, Portland	9	278.4	73	8.1	262
66 Gray St, Hamilton	11	614.7	38	3.5	62
<b>Total</b>	<b>138</b>	<b>4,423.1</b>	<b>449</b>	<b>3.3</b>	<b>102</b>

\* Storm water is used for flushing toilets and watering gardens at the Gateway Rd office in Warrnambool.

# SOCIAL SUSTAINABILITY

## Major customer water use

Large non-residential customer water use is reported under section 122ZJ of the *Water Act 1989*.

### Customers by volume range

Volume – ML per year	No. customers 2013/14	No. customers 2012/13	No. customers 2011/12	No. customers 2010/11	No. customers 2009/10
200 ML to 300 ML	2	2	1	2	1
300 ML to 400 ML	1	1	1	1	2
400 ML to 500 ML	2	1	1	1	1
500 ML to 750 ML	0	0	1	1	1
750 ML to 1,000 ML	1	1	0	0	0
Greater than 1,000 ML	0	0	0	0	0
<b>Total no. of customers</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>

## Major customers' participation in water conservation programs

All major customers of Wannon Water have water conservation programs.

Name of customer	Location of customer	Participation in water conservation program
Warmnambool Cheese & Butter*	Allansford	Yes
Alcoa Portland Aluminum Pty Ltd	Portland	Yes
Fonterra Milk Australia Pty Ltd	Warmnambool	Yes
Fonterra Australia Limited	Cobden	Yes
Midfield Meat International Pty Ltd	Warmnambool	Yes
Glaxo SmithKline Australia Pty Ltd	Port Fairy	Yes

\* Warmnambool Cheese & Butter is supplied with non-drinking water.

## Sustainable water use

Wannon Water's 50-year Water Supply Demand Strategy identifies the best mix of integrated water resources to balance the long-term demand for water and the available water supplies for our urban supply systems now and into the future. We work closely with stakeholders to promote sustainable water use in our region to help meet the targets of the Strategy and to support the principles of the Victorian Government's *Living Victoria* water policy.

## Community education and awareness

Wannon Water actively promoted water efficiency through our schools and community education program, local advertising, sponsorship of local sustainability events, our web site and by promoting the Living Victoria Water Rebate Program to residential and business customers. We also promoted the Small Business Grants Scheme to help businesses improve their water efficiency or adopt alternative water supplies.

During the reporting period Wannon Water also launched the Choose Tap program to promote the benefits and value of our drinking water supplies.

Understanding the current and future needs of the community is important to setting future directions and input from stakeholders, including customers, communities, local government and Catchment Management Authorities, is used to guide the development of the Water Supply Demand Strategy.

## Industry

Wannon Water works with industry across the region to improve water management outcomes, most notably providing recycled water for the Mortlake Power Station, Iluka Resources and agriculture. Our brine receival facility in Warmnambool provides a local solution for treating salty trade waste from large industries while reducing demand on drinking water supplies by using recycled water at the screening plant and belt press at the Warmnambool water reclamation plant.



## Local government

Wannon Water has strong working relationships with local government. We continue to work closely with Warrnambool City Council to expand the Warrnambool Roof Water Harvesting system to collect rain water from the roofs of new residential subdivisions to augment existing drinking water supplies.

During the reporting period Wannon Water also partnered with the Office of Living Victoria, Warrnambool City Council and a local developer to implement an innovative

stormwater treatment system in a new housing development in Warrnambool. When complete, Wannon Water will assess the treatment performance to determine possible future alternative uses for the water.

## Drought response

Wannon Water has a Drought Response Plan to protect water resources during severe dry periods. The Plan was not invoked during the reporting period. There were no restrictions on recreational playing fields, many of which already use recycled water or other non-drinking water supplies.

## Small Business Grants

During the reporting period Wannon Water provided the following grants under the Victorian Government's Small Business Grants Scheme:

Organisation	Project	Grant provided (\$)
Worn Gundidj Aboriginal Cooperative	Storm water collection for nursery watering	732.23
Coleraine Hotel	Installation of water-efficient dishwasher	1,804.75

## Warrnambool roof water harvesting project

Wannon Water's award-winning Warrnambool Roof Water Harvesting Project continues to demonstrate the benefits of integrated water management promoted in the Victorian Government's *Living Victoria* water policy.

In the reporting period, this innovative system harvested 16.8 megalitres of roof water from the roofs of 119 connected houses, a 124 per cent increase on the 7.5 megalitres harvested in 2012/13.

This system will progressively expand as development occurs in Warrnambool's main northern growth corridor over the next 20 years. The roofs of some 3,000 new homes to be constructed will form an urban catchment that is expected to contribute 471 megalitres of water per year into the Brierly Basin and then treated at the Warrnambool water treatment plant for urban drinking water.

## Permanent Water Saving Measures and water restrictions

Permanent Water Saving Measures applied across all of Wannon Water's service area. There was no requirement for higher level water restrictions in 2013/14.

## Growth of water services

Wannon Water provides water services to residential, commercial, industrial and rural customers across 34 customer zones. The total growth in the number of water customers was 0.8 per cent in 2013/14 with 352 new customers being provided with a reticulated water service during the reporting period.

# SOCIAL SUSTAINABILITY

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## Growth of sewerage services

Wannon Water provides sewerage services to residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 1.3 per cent in 2013/14, with 469 new customers being provided a reticulated sewerage service during the reporting period.

The Dutton Way sewerage scheme was commissioned in March 2014.

## Engaging with our community

Wannon Water recognises that engaging, informing, consulting and collaborating with our customers and other stakeholders is essential to understanding their needs and enhancing customer value. During the reporting period Wannon Water consulted on several initiatives, including with:

- landowners in Warrnambool's Wangoom Road to gauge support for an extension of the sewerage scheme into the area; and
- rural landowners on options for increasing the volume of water supplied from the Konongwootong system.

## Customer Engagement Committee

Wannon Water's Customer Engagement Committee provides a forum for Wannon Water to better understand the needs of its customers and local communities. During the reporting period the committee provided valuable input to Wannon Water's revised Customer Charters, the development of Wannon Water's 2014-17 Customer Strategy and the customer consultation process for water use by rural customers supplied with water from Konongwootong Reservoir.

The committee members were: John Wilken (Chair), Nathan Anderson, Tim Clingan, Tom Doherty, Alex Duplex, Georgina Gubbins (Director), Roz Greenwood, Lou Hollis, Joseph Milani, Tom Nieuwveld, George Tyers and Russell Worland (Director).

## Cultural heritage

Wannon Water prepared cultural heritage management plans in accordance with the *Aboriginal Heritage Act 2006* for the following projects:

- Harris Street, Warrnambool, sewer renewal
- Hickford Parade, Warrnambool, sewer renewal.

Wannon Water sought the input from relevant stakeholders at the start of these projects to identify cultural heritage needs and expectations. Cultural heritage surveys were undertaken to ensure sites of cultural importance were identified and plans put in place to ensure their preservation.

Wannon Water liaised with Registered Aboriginal Party applicants Gunditj Mirring Traditional Owners Aboriginal Corporation, Kuuyang Maar Aboriginal Corporation and Eastern Maar Aboriginal Corporation. Cultural heritage inductions for contractors and Wannon Water employees were undertaken by these corporations for the Dutton Way and Wollaston Road, Warrnambool, sewerage schemes.

Consultation with Gunditj Mirring Traditional Owners Aboriginal Corporation and other stakeholders in relation to the master plan for the future of Konongwootong Reservoir culminated in the establishment of a "Quiet Place" to acknowledge the area's Indigenous cultural values and recognise a massacre that occurred in 1840 at the site now occupied by the reservoir. The Quiet Place, which includes three stone benches and interpretive signage, encourages informed visitor contemplation and is a testament to the cooperative relationship between Wannon Water and the traditional owners developed in the planning for this site.

Wannon Water also worked with Gunditj Mirring Traditional Owners Aboriginal Corporation in undertaking cultural heritage due diligence investigations relating to works at the Hamilton water treatment plant site.

***Wannon Water seeks to implement integrated water solutions using the range of water resources within our region to supply fit-for-purpose water products now and into the future.***

During the reporting period Wannon Water continued to reduce water losses and protect water supplies to support liveable and sustainable communities. We also undertook programs to protect and enhance the health of catchment waterways and the biodiversity of operational sites.

## **Western Region Sustainable Water Strategy**

The Victorian Government's Western Region Sustainable Water Strategy, published in November 2011, addresses pressures on water resources, including climate variability and land use change. Its aim is to provide security for urban and rural water users, rivers and aquifers over a 50-year period.

A key task for Wannon Water arising from this strategy is to assess options to improve low flows in the Gellibrand River (Action 7.3) in summer. Wannon Water is working with the Corangamite Catchment Management Authority on this project and the assessment is expected to be completed in 2014/15.

## **Biodiversity and Natural Asset Management**

Wannon Water continues to work on projects that help protect and improve Victoria's biodiversity. The Victorian Waterway Management Strategy is driving the development of Regional Catchment Management Strategies by the Corangamite and Glenelg Hopkins Catchment Management Authorities. These regional strategies provide the primary planning framework for land, water and biodiversity management across Wannon Water's service area. Wannon Water contributed to updates of both strategies and continues to identify opportunities to protect, enhance and restore valuable natural resources to improve the health and sustainable productivity of regional catchments.

During the reporting period, biodiversity and land management work was undertaken at high priority sites, including land around reservoirs, water treatment plants and water reclamation plants. The work was done in partnership with local agencies and contractors.

Wannon Water also continued to implement the management plan for the Dunkeld water reclamation plant, one of the most important sites for biodiversity under our management.

This work is supported through the Plains Tender program and included the start of an ecological burning program and strategic weed control.

Wannon Water established a research project at Glenthompson water treatment plant to investigate how to reduce the costs of managing introduced pasture on operational sites. The trial site was converted to native grassland species and early results indicate that no mowing, slashing or weed control has been necessary since establishment. Wannon Water will continue to monitor the site to quantify the financial and ecological benefits.

Significant work was also undertaken during the year at the Konongwootong Reservoir as part of the Master Plan developed for that site.

Partnership projects with Deakin University to assess aquatic fauna and flora at 13 sites across our region were completed during the year, with the results being used to formulate improved management for the beneficial values identified. Peer-reviewed publication of the results is being progressed.

Wannon Water has put in place ongoing soil and groundwater monitoring programs to ensure the application of recycled water to farms is being managed sustainably.

Wannon Water complied with the relevant Environment Protection Authority licence conditions for discharge of recycled water to stream from the Simpson water reclamation plant. Wannon Water continues to manage its operations to support the objectives of the State Environmental Protection Policy (Waters of Victoria).

## **Recycling water**

Wannon Water continued its focus on shifting recycled water from a low-value product into a beneficial resource. Recycled water was used for agricultural, recreational and industrial purposes, including process water supply to the Mortlake Power Station and Iluka Resources.

The volume of recycled water reused was 1,267 megalitres. This represents 12 per cent of the overall available supply of treated effluent.

# ENVIRONMENTAL SUSTAINABILITY

Most of the recycled water was used for agriculture over the summer irrigation period. Six per cent of the recycled water (599 megalitres) was environmental discharges to stream.

## Aquaculture project

Wannon Water is using aquaculture for sludge mitigation at the Hamilton water reclamation plant. Past trials show goldfish thrive on consuming and removing nutrients and sludge from sewage. This initiative has the potential to aid the treatment of sewage, reduce carbon emissions and reduce operating costs.

Wannon Water established a fish hatchery in Warrnambool to further advance this innovative project. In the past 12 months the hatchery has produced 1.2 million fry and has successfully achieved out-of-season spawning, enabling fry production year-round. Advanced fry have been stocked into the Hamilton Juvenile Production Facility and 38,000 fish have been stocked into the Hamilton water reclamation plant primary lagoon.

Wannon Water will stock selected water reclamation plant lagoons in 2014/15 to further measure the impact of fish on the sewage treatment process.

## Biosolids reuse

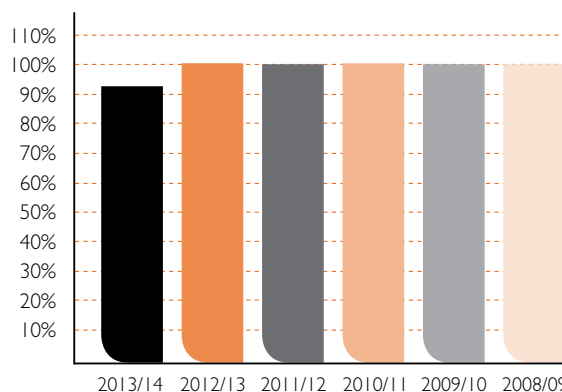
Biosolids are nutrient-rich organic material processed from treated sewage biomass (the solid components of sewage removed during treatment). The biomass is generated as a by-product of the sewage treatment process.

Wannon Water transported biomass produced at Warrnambool and Port Fairy water reclamation plants to the biosolids treatment facility at Camperdown. The biomass is dried and stored for three years to make the end product ready for reuse on farms in the surrounding area.

During the reporting period, Wannon Water:

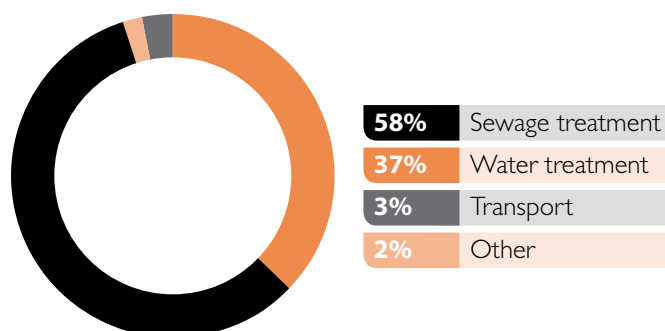
- reused 92 per cent of available biosolids by applying 1,630 dry tonnes to land as a soil conditioner and 1,481 dry tonnes as a landscaping material on Wannon Water sites
- participated in a partnership with the Smart Water Fund, RMIT University and Gippsland Water to access the microbial safety and nutrient status of biosolids produced by lagoon-based systems. The research, currently under peer review, will form the basis of a presentation to the Environment Protection Authority to influence a revision of the *Biosolids Land Application Guidelines for Environmental Management* (2004).

## Percentage of Biosolids Used



## Greenhouse gas emissions

Wannon Water produced 29,095 tonnes of greenhouse gas emissions during the reporting period, maintaining compliance with our 10 per cent greenhouse reduction target compared to the 2006/07 base year.



Wannon Water reduced emissions from its water treatment and water supply systems. Sewage treatment emissions increased slightly due to revised accounting for fugitive (non-electricity) emissions.

Wannon Water continued its work on renewable energy options to reduce operating costs, increase efficiency and deliver value for our customers. A major industry benchmarking exercise indicated Wannon Water is leading the industry in energy efficiency at several of our sewage treatment plants.

Greenhouse gas emission by activity	2013/14 (t CO <sub>2</sub> -e)	2012/13 (t CO <sub>2</sub> -e)	2011/12 (t CO <sub>2</sub> -e)	2010/11 (t CO <sub>2</sub> -e)	2009/10 (t CO <sub>2</sub> -e)
Water treatment	10,628	13,680	16,984	9,923	12,946
Sewage treatment	16,897	15,371	15,271	17,178	18,053
Transport	850	832	829	801	864
Other (inc. office energy use)	720	703	668	676	459
Reductions/offsets	0	0	0	0	-1,588
<b>Total</b>	<b>29,095</b>	<b>30,586</b>	<b>33,753</b>	<b>28,578</b>	<b>30,734</b>

Net energy consumption	2013/14 (MJ/ML)	2012/13 (MJ/ML)	2011/12 (MJ/ML)	2010/11 (MJ/ML)	2009/10 (MJ/ML)
Water supply	2,879	3,802	4,070	2,568	3,211
Sewage treatment	3,499	4,688	5,146	2,931	3,397

## Bulk entitlement

A bulk entitlement is a legal right to water granted by the Minister for Water under the *Water Act* 1989.

Bulk entitlements are commonly held by water corporations to:

- provide a clearly defined property right to water
- provide flexibility to manage water within the entitlement
- provide a basis for sharing limited water resources, protecting the entitlements of other users and protecting in-stream values
- facilitate water trading between user groups to ensure appropriate redistribution over time to finite water resources
- allow specific entitlements for environmental purposes.

Wannon Water operates under seven surface water bulk entitlements, each containing provisions on minimum passing flows and maximum daily extractions from waterways.

Wannon Water achieved 100 per cent compliance with these requirements in 2013/14.

## Summary of bulk entitlements 2013/14:

Bulk entitlement	Volume of entitlement (ML)	Volume extracted in 2013/14 (ML)	Percentage of bulk entitlement extracted in 2013/14	Water in storage at 30 June 2014 (ML)
Otway System Conversion Order	12,580	8,075.46	64.2	2,116.6
Hamilton Conversion Order	3,435	2,104.71	61.3	2,390.3
Coleraine, Casterton & Sandford Conversion Order	855	104.15	12.8	1,343.8
Dunkeld Conversion Order	170	26.7	15.7	89.6
Glenthompson Conversion Order	94	10.2	10.9	63.8
Wimmera and Glenelg Rivers - Wannon Water Order 2010	2,120	105.89	5.0	4,878
Willaura System Conversion Order 2012	58	18.54	32.0	N/A



# ENVIRONMENTAL SUSTAINABILITY

## Bulk Entitlement (Otway System) Conversion Order 1998

- 12.1(e) - approval, amendment and implementation of programs and proposals under clauses 8, 9 and 11
- 12.1(f) - volume taken 2013/14
- 12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement
- 12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system
- 12.1(i) - any amendment to this bulk entitlement
- 12.1(j) - any new bulk entitlement granted to the corporation with respect to the system
- 12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement
- 12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed

Programs and proposals implemented  
8075.46 ML  
Nil  
Nil  
Nil  
Nil  
Nil  
Nil

## Bulk Entitlement (Hamilton) Conversion Order 1997

- 12.1(d) - approval, amendment and implementation of programs and proposals under clauses 8, 9 and 11
- 12.1(e) - volume taken 2013/14
- 12.1(f) - the amount in, credited to and taken from the drought reserve
- 12.1(g) - any temporary or permanent transfer of all or part of this bulk entitlement
- 12.1(h) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system
- 12.1(i) - any amendment to this bulk entitlement
- 12.1(j) - any new bulk entitlement granted to the corporation with respect to the system
- 12.1(k) - any failure by the corporation to comply with any provision of this bulk entitlement
- 12.1(l) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed

Programs and proposals implemented  
2,104.71 ML  
520 ML in drought reserve; no water credited to or taken  
Nil  
Nil  
Nil  
Nil  
Nil

## Bulk Entitlement (Dunkeld System) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2014	8.75m – 89.4 ML
13.1(c) - volume taken 2013/14	26.7 ML
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

## Bulk Entitlement (Glenthompson) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2014	2.21m – 50.44 ML
Glenthompson Reservoir	1.50 m – 17.6 ML
Railway Reservoir	10.2 ML
13.1(c) - volume taken 2013/14	Programs and proposals implemented
13.1(d) - approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Nil
13.1(e) - any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) - any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) - any amendment to this bulk entitlement	Nil
13.1(h) - any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) - any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) - any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

# ENVIRONMENTAL SUSTAINABILITY

## Bulk Entitlement (Coleraine, Casterton and Sandford) Conversion Order 1997

13.1(b) – water level and storage volume at 30 June 2014	4.38 m – 1,352.5 ML
13.1(c) – volume taken 2013/14	104.15 ML
13.1(d) – approval, amendment and implementation of programs and proposals under clauses 10, 11 and 12	Programs and proposals implemented
13.1(e) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(f) – any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to the corporation with respect to the system	Nil
13.1(g) – any amendment to this bulk entitlement	Nil
13.1(h) – any new bulk entitlement granted to the corporation with respect to the system	Nil
13.1(i) – any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(j) – any difficulties experienced or anticipated by the corporation in complying with this bulk entitlement and any remedial action taken or proposed	Nil

## Bulk Entitlement (Wimmera and Glenelg Rivers – Wannon Water) Order 2010

13.1(b) – volume taken at each of the off-take points for 2013/14	58.27 ML to Hamilton Pipeline; 47.62 ML to Balmoral Nil
13.1(c) – volume and location of any water taken under this bulk entitlement at any other works of Wannon Water	Nil
13.1(d) – final allocation to Wannon Water for the year under this Order	2,120 ML
13.1(e) – approval, amendment and implementation of the metering program under sub clause 12.4	Programs and proposals implemented
13.1(f) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
13.1(g) – any bulk entitlement, licence or water right temporarily or permanently transferred to Wannon Water supply systems under this Order	Nil
13.1(h) – any amendment to this bulk entitlement	An amendment application was submitted consistent with the key recommendations from the Bulk Entitlements (Wimmera and Glenelg Rivers) Operations Review (2014) Nil
13.1(i) – any new bulk entitlement granted to Wannon Water with respect to the Wannon Water supply system under this Order	Nil
13.1(j) – any failure by the corporation to comply with any provision of this bulk entitlement	Nil
13.1(k) – any difficulties experienced or anticipated by the corporation in complying with this Order and any remedial action taken or proposed	Nil

## Bulk Entitlement (Willaura System - Wannon Water) Conversion Order 2012

10.1(b) – annual amount of water taken under this entitlement for 2013/14	18.54 ML
10.1(c) – approval, amendment and implementation of the metering program approved under sub clause 9.4	Programs and proposals implemented
10.1(d) – any temporary or permanent transfer of all or part of this bulk entitlement	Nil
10.1(e) – any bulk entitlement, licence or water right, temporarily or permanently transferred to Wannon Water for the Willaura supply system	Nil
10.1(f) – any amendment to this bulk entitlement	Nil
10.1(g) – any new bulk entitlement granted to Wannon Water with respect to the Willaura System	Nil
10.1(h) – any failure by Wannon Water to comply with any provision of this Order	Nil
10.1(i) – any existing or anticipated difficulties experienced by Wannon Water in complying with this Order and any remedial action taken or proposed by Wannon Water	Programs and proposals implemented

## Groundwater licences

No groundwater licences were traded during the reporting period. Wannon Water holds no licences for Managed Aquifer Recharge.

Locality	Licence No.	Entitlement (ML)	Usage 2013/14 (ML)
Albert Park	BEE024155 (1152971)	750	440.61
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	39.20
Carlisle	BEE029488 (9016487)	1,800	3.75
Casterton	BEE022551 (885355)	1,000	456.46
Condah	4001451	N/A	0
Curdie Vale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	4.52
Dartmoor	9016786	150	16.77
Heywood	900184	333	155.04
Koroit	BEE029066 (899038)	524	4.09
Macarthur	BEE021944 (4001451)	130	35.63
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	32.03
Penshurst	BEE036146 (914444)	250	70.01
Port Campbell	BEE026252 (904309)	1,009	326.70
Port Fairy	890472	1,026	620.01
Portland	923621	6,222	1,879.14

# CORPORATE INFORMATION

## Our Board

Wannon Water's Board comprises seven independent non-executive Directors and one executive Director, who is the Managing Director. The non-executive Directors are appointed by the Minister for Water in consultation with the Treasurer for terms up to four years and the Victorian Government sets their remuneration. The Managing Director is appointed by the Board in accordance with the *Water (Governance) Act 2006*.

The Board are responsible for overall corporate governance of Wannon Water including:

- setting strategic direction, values, standards and policies
- establishing goals for management and monitoring the delivery of strategies and targets
- monitoring the identification and management of business risks
- monitoring the performance of the corporation.



The Directors bring to the Board an appropriate mix of skills and experience.

### John Vogels - Chairman

Appointed 1 October 2011

John is Chairman of the Board. He has a long history of representing south west Victoria, serving as Mayor of Corangamite Shire prior to entering parliament as Member for Warrnambool in 1999.

For eight years John represented the region in the Legislative Council as the Member for Western Province (2002-2006) and Member for Western Region (2006-2010). Throughout his parliamentary career John held shadow portfolios including Local Government and Victorian Communities and Agriculture.

Running a dairy farm at Scotts Creek, John is a leader in the local community. He is a former President and Life Member of Timboon and District Health Care Services. John was also President of the Timboon Branch of the Victorian Farmers Federation and has been a member of the Timboon APEX club for more than 20 years.

John is Chairman of the Strategic Issues Committee and the Executive Remuneration Committee and is an ex-officio member of the Audit and Risk Management Committee and the People, Culture and Safety Committee.

### Robert Wallis – Deputy Chairman

*BSc (Hons), MSc, PhD, Dip. Ed Grad. Dip. Ed. Studs, Grad. Cert. Management, FAICD*

Appointed 1 October 2007

Rob was appointed Deputy Chairman of the Board in February 2011. Rob has worked in higher education for 38 years and has held positions of Pro Vice-Chancellor (Rural and Regional) at Deakin University and Pro Vice-Chancellor (Research) at the University of Ballarat.

Rob has postgraduate qualifications in Science, Education and Management and has longstanding research interests in vertebrate ecology, environmental education, sustainable development and community engagement in universities.

Rob is a Director of Parks Victoria and Great South Coast Medicare Local. Rob is a Fellow of the Australian Institute of Company Directors.

Rob is Chairman of the Audit and Risk Management Committee and is a member of the Executive Remuneration Committee and the Strategic Issues Committee.

### Grant Green – Managing Director

*MBA, Grad. Dip. Man., Dip. BS (Acc.), FCPA, MAICD*

Appointed 1 July 2007

Grant was the inaugural Chief Executive Officer of Wannon Water from September 2005 until being appointed Managing Director in July 2007. He has extensive experience in the Victorian water industry, including senior executive management roles at Barwon Water and Melbourne Water.

Grant is a non-executive Director of the savewater! Alliance Incorporated and Horizon 21 Incorporated. He is a Fellow of the Institute of Water Administration, a Fellow Certified Practising Accountant and a Member of the Australian Institute of Company Directors.

Grant is a member of the People, Culture and Safety Committee and the Strategic Issues Committee.

### Rodney Coutts

*BCom, MBA, FCPA, CA, AFAIM, GAICD*

Appointed 1 July 2010

Rod worked as a chartered accountant before embarking on a long career in higher education. He has undertaken a variety of



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academic and administrative roles, including Dean of Business and Deputy Director at the former Warrnambool Institute of Advanced Education, and Director of International Programs and Head of Campus at Deakin University.

Rod's academic career has led him to business, academic and consultancy roles throughout the world, including Canada, Kenya, Malaysia and the Fiji Islands. He has taught Accounting and Auditing subjects at several universities and has a particular interest in fraud detection and deterrence.

Rod is a member of the Audit and Risk Management Committee, the People, Culture and Safety Committee and the Strategic Issues Committee.

### **Katharine Fraser**

**B Ec, FAICD**

Appointed 1 October 2008

Kate brings to Wannon Water more than 20 years of commercial experience in corporate marketing and communications. Her professional experience includes strategic marketing roles within the banking, consumer goods and health insurance sectors and senior organising committee roles with several high profile international sporting events.

Kate is a Director of Great South Coast Medicare Local, runs a boutique marketing consultancy and is a Fellow of the Australian Institute of Company Directors.

Kate is a member of the People, Culture and Safety Committee, the Executive Remuneration Committee, and the Strategic Issues Committee.

### **Georgina Gubbins**

**BN, MAB, GAICD**

Appointed 1 October 2011

Georgina practised as a Registered Nurse prior to concentrating on a career in Agribusiness.

Georgina holds a Masters in Agribusiness and has been the Managing Director of Maneroo Partnership since 1994, a specialist beef and lamb producer near Heywood. Georgina employs sustainable and environmental farming practices and extends to local waterway protection and the establishment of wildlife corridors.

Over the past decade Georgina has served on several Agricultural Advisory Committees and is actively involved in a number of Warrnambool sporting associations.

Georgina received an MLA Governance Scholarship to complete the Australian Institute of Company Directors course.

Georgina is a member of the People, Culture and Safety Committee, the Strategic Issues Committee and the Customer Engagement Committee.

### **Russell Worland**

**Dip Public Admin (Local Government), GAICD, CM**

Appointed 1 October 2011

Russell has had a long and distinguished career in the water industry.

Russell spent 19 years as town clerk of Hamilton City Council and was secretary of the Hamilton Water Board for 20 years.

In 1995 Russell was appointed as Chief Executive Officer of South West Water, one of the three water authorities that merged to form Wannon Water in 2005.

Awarded the Centenary Medal for his contribution to the water industry in 2002, Russell is a Fellow of the Institute of Water Administration and Graduate of the Australian Institute of Company Directors

Russell is a Director of South West Healthcare, Southern Way Direct Care Services and runs a consultancy business that provides strategic planning services.

Russell is a member of the Audit and Risk Management Committee, the Strategic Issues Committee and the Customer Engagement Committee.

### **Frank Zeigler**

**Grad Dip Dis Mgt, MOHS, MAICD, CMSIA**

Appointed 1 October 2011

Frank has extensive business and community service experience.

Frank is the owner and Chief Executive Officer of Professional Diving Services and has extensive experience in Occupational Health and Safety and water engineering solutions.

A former policeman with more than 20 years' experience, Frank went on to serve as Mayor of the Glenelg Shire Council and a Member of the Ministerial Crime Prevention Council.

With a keen interest in marine ecology and bushland protection, Frank volunteers and leads several community based initiatives. He is a lieutenant of the Portland Fire Brigade, a former Country Fire Authority Board Member and a Volunteer Fire Brigade Victoria Board Member. He Chairs Portland's Harbour Walk Community Group and the Portland Eco Trust.

Frank is Chairman of the People, Culture and Safety Committee and is a member of the Audit and Risk Management Committee and the Strategic Issues Committee.

# CORPORATE INFORMATION

## Director attendance at Board and committee meetings

	Board	Audit & Risk Management Committee	Executive Remuneration Committee	Strategic Issues Committee	People, Culture & Safety Committee
	Attended	Attended	Attended	Attended	Attended
John Vogels	10 of 11	3 of 4	3 of 3	5 of 5	2 of 2
Rodney Coutts	10 of 11	3 of 4	-	5 of 5	2 of 2
Katharine Fraser	10 of 11	-	3 of 3	5 of 5	2 of 2
Grant Green	11 of 11	-	-	5 of 5	2 of 2
Georgina Gubbins	11 of 11	-	-	5 of 5	2 of 2
Robert Wallis	10 of 11	4 of 4	2 of 3	5 of 5	-
Russell Worland	10 of 11	4 of 4	-	5 of 5	-
Frank Zeigler	11 of 11	4 of 4	-	5 of 5	2 of 2

## Board meetings

Board meetings are scheduled monthly except for January. Minutes of meetings record Board decisions and summary outcomes are published on the Wannon Water website.

Directors receive customer and other stakeholder feedback through a range of mechanisms, including the Customer Engagement Committee, direct customer and stakeholder engagement, customer surveys, community consultation and project-based customer committees.

## Ethical standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through policies supported by specific awareness and compliance programs. The governance framework is regularly reviewed with the most recent review occurring in June 2014.

The Directors' Code of Conduct issued by the Public Sector Standards Commissioner provides guidance to Directors for compliance with the public sector values and good governance practice. The Board reviewed the Instrument of Delegation for financial and non-financial decision making during the reporting period.

## Pecuniary and conflict of interest declarations

Directors and managers completed declarations of pecuniary interest and potential conflicts of interest during the reporting period.

## Independent advice

The Board ensures that independent judgment is maintained. Directors are entitled to seek independent legal advice on matters relating to the business of Wannon Water at the corporation's expense, subject to consultation with the Chairman. No Director exercised this right during the reporting period.

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## **Board committees**

The Board has four committees to assist the Board in carrying out its responsibilities:

- Audit and Risk Management Committee
- Executive Remuneration Committee
- People, Culture and Safety Committee
- Strategic Issues Committee

### **Audit and Risk Management Committee**

The Audit and Risk Management Committee provides independent assurance and advice to the Board on Wannon Water's risk, control and compliance framework and its external accountability responsibilities. The committee meets with the internal auditor, Pitcher Partners, and the external auditor.

As at 30 June 2014 the committee comprised four non-executive independent Directors – Robert Wallis (Chairman), Rodney Coutts, Russell Worland, Frank Zeigler – and an independent external member, Steven Bird.

### **Executive Remuneration Committee**

The Executive Remuneration Committee oversees succession planning and remuneration policies and practices for executive employment in line with Government Sector Executive Remuneration Panel guidelines.

As at 30 June 2014 the committee comprised three non-executive Directors: John Vogels (Chairman), Katharine Fraser and Robert Wallis.

### **People, Culture and Safety Committee**

The People, Culture and Safety Committee strategically reviews processes for identifying, assessing and prioritising public health and occupational health and safety risks and associated risk abatement programs.

As at 30 June 2014 the committee comprised four non-executive Directors – Frank Zeigler (Chairman), Rodney Coutts, Katharine Fraser, Georgina Gubbins – and Managing Director Grant Green.

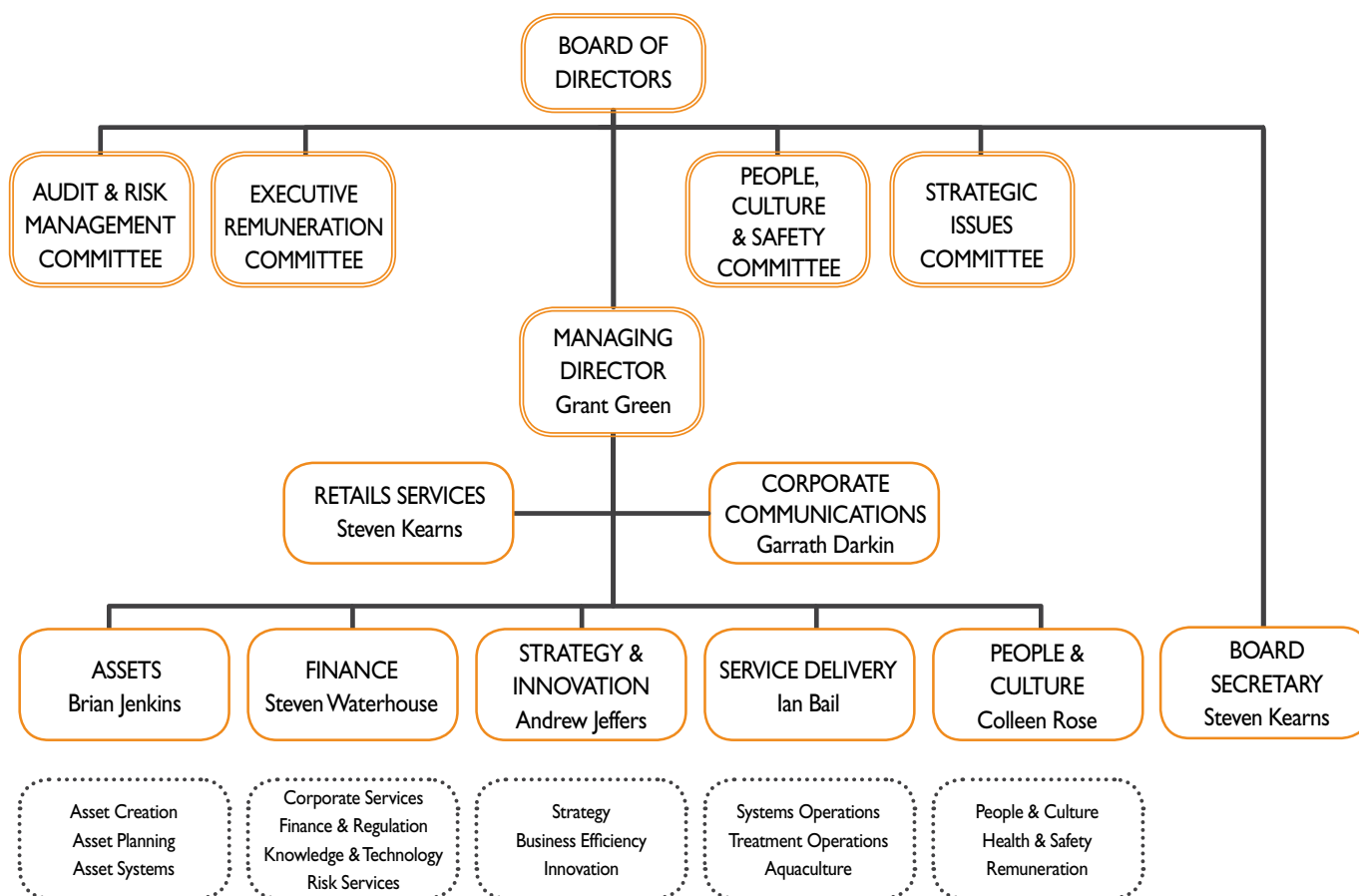
### **Strategic Issues Committee**

The Strategic Issues Committee provides a forum for Directors to explore issues of strategic importance to Wannon Water in depth and build relationships with key stakeholders.

As at 30 June 2014 the committee comprised seven non-executive Directors – John Vogels (Chairman), Rodney Coutts, Katharine Fraser, Georgina Gubbins, Robert Wallis, Russell Worland, Frank Zeigler – and Managing Director Grant Green.

# ORGANISATIONAL STRUCTURE

Strategic objective: grow organisational capability



## Our employees

Wannon Water is committed to growing the organisation's capability by investing in the skills development and wellbeing of our employees.

### Employment and conduct principles

Wannon Water is compliant with the *Public Administration Act* 2004 and is committed to applying merit and equity principles when appointing employees. The selection and promotion processes ensure that applicants are assessed and evaluated

fairly and equitably against key selection criteria and other accountabilities without discrimination. Wannon Water's code of conduct reinforces the expectations of employment, including making decisions and providing advice consistent with human rights.

### Workforce statistics

The total number of full-time equivalent employees reduced by one in 2013/14.

	2013/14	2012/13
Full-time male	147	150
Full-time female	36	41
Part-time male	7	2
Part-time female	20	16
Casual male	1	3
Casual female	2	0
Total employees	213	212
Full-time equivalent	203	204
% Full-time equivalent female	50	51

Notes: Excludes seven non-executive Board Directors appointed by State Government

Employee classification	2013/14 (FTE)	2012/13 (FTE)
Executive	5	5
Manager	22	24
Professional	20	19
Technical	30	31
Production & maintenance	85	82
Administrative	41	43
<b>Total</b>	<b>203</b>	<b>204</b>

Notes: Excludes seven non-executive Board Directors appointed by State Government  
FTE refers to full-time equivalent employees

During the reporting period 15 employees completed the Emerging Leaders Program, implemented as part of our commitment to developing a high performance culture. Ten employees completed the Graduate Certificate in Asset Management and eight employees completed the final phase of the Green Steps Program, bringing the total number of participants in this program to 35 over the past three years. There are four participants in our Engineering Scholarship program.

During the reporting period Wannon Water provided 13,316 hours (62 hours per employee) on employee learning and development.

## Occupational health & safety

Wannon Water's has a strong safety culture, which reflects our commitment to the health and safety of all employees and contractors involved in our business. The link between personal wellbeing and working life at Wannon Water is an integral part of this culture, and our internal health and wellbeing program has been successful in strengthening this link.

The program is a proactive initiative that promotes diverse health and wellbeing themes every two months, timed to capitalise on national and workplace events. Each theme includes education sessions and activities, which are available to all employees. Themes covered during the reporting period included:

- diet & nutrition
- mental health
- blood health
- eye care & skin checks
- brain health
- exercise & fitness.

To complement the health and wellbeing program, Wannon Water continued its award-winning WorkSafe HomeSafe campaign during the reporting period. WorkSafe HomeSafe personalises OH&S for employees, seeking to:

- align OH&S at Wannon Water with a key message
- create an easily recognisable and understandable safety 'brand'
- continually promote Wannon Water's safe work message
- link workplace safety to employees' quality of life.



The OH&S management system certification was maintained to the AS/NZS 4801 standard following audits by an external accredited auditing body.

## Improving the capacity of employees to manage OH&S effectively

Wannon Water continued to invest in OH&S training in 2013/14 including:

- confined space entry
- train track safety awareness
- mini excavator
- ATV training
- First Aid
- trenching & shoring
- asbestos removal
- chainsaw training
- OHS leadership development training for managers
- spotters
- OHS representative training
- bullying & harassment
- manual handling
- construction induction.

# CORPORATE INFORMATION

## Performance measures

Wannon Water's key OH&S performance indicators align with the standards set out in the workplace injury and disease recording standard AS 1885.1—1990. For the reporting period the Lost Time Injury Severity Rate reduced by 81 per cent. Both the Lost Time Injuries (LTIs) and the Lost Time Injury Frequency Rate (LTIFR) remained low, consistent with previous years.

OH&S Indicators	2013/14	2012/13	2011/12	2010/11	2009/10
Lost Time Injuries (Number)	3	2	3	3	5
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	8.5	6	9	9	16
Lost Time Injury Severity Rate (Days)	3	16	17	7	48

## Legislative compliance

### Protected Disclosures Act

The *Protected Disclosure Act 2012* enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

#### What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

Wannon Water is a "public body" for the purposes of the Act.

#### What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

#### How do I make a 'protected disclosure'?

You can make a protected disclosure about Wannon Water or its board members, officers or employees by contacting the Department of Environment and Primary Industries or IBAC on the contact details provided below. Please note that Wannon Water is not able to receive protected disclosures.

#### How can I access Wannon Water's procedures for the protection of persons from detrimental action?

Wannon Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Wannon Water or its employees. You can access Wannon Water's procedures on our website at: [www.wannonwater.com.au](http://www.wannonwater.com.au).

#### Contacts

Department of Environment and Primary Industries (DEPI)  
Jennifer Berensen, Senior Advisor, Privacy & Ombudsman  
Department of Environment and Primary Industries  
Address: PO Box 500, East Melbourne Vic 3002  
Ph: 03 9637 8697  
Website: [www.depi.vic.gov.au](http://www.depi.vic.gov.au)

Independent Broad-Based Anti-Corruption Commission Vic.  
Address: Level 1, North Tower, 459 Collins Street, Melbourne  
Victoria 3000.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

Website: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Phone: 1300 735 135

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

#### Disclosures under the Protected Disclosure Act 2012

There were no reported disclosures under the Act.

### Freedom of Information Act

Wannon Water is committed to ensuring information is made accessible in accordance with the *Freedom of Information Act 1982*.

Wannon Water did not receive any valid applications under the *Freedom of Information Act 1982* in 2013/14.

Applications for access to information under the *Freedom of Information Act 1982* must be made in writing, addressed to:

Steven Kearns  
Freedom of Information Manager  
Wannon Water  
PO Box 1158  
Warrnambool Vic 3280

The application must describe the documents to which access is sought and include an application fee of \$26.50 (further charges may apply). Fees and charges levied under the *Freedom of Information Act 1982* are not subject to GST.

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## Information Privacy Act

Wannon Water complies with information privacy principles set out in the *Information Privacy Act 2000*. A Personal Privacy Charter provides guidance to our employees, contractors and consultants to ensure that private information is protected from unauthorised access or disclosure.

A copy of this charter can be viewed at [www.wannonwater.com.au](http://www.wannonwater.com.au)

## Other information

The following information is available on request from Wannon Water, subject to relevant legislation:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary
- details of publications produced by Wannon Water about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by Wannon Water
- details of any major external reviews carried out on Wannon Water
- details of major research and development activities undertaken by Wannon Water
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by Wannon Water to develop community awareness of Wannon Water and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within Wannon Water and details of time lost through industrial accidents and disputes
- a list of major committees, the purposes of each committee and the extent to which the purposes have been achieved; and
- details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement.

Wannon Water provides free access to a comprehensive range of information on its website, [www.wannonwater.com.au](http://www.wannonwater.com.au)

## Building Act

Wannon Water complied with the building and maintenance provisions of the *Building Act 1993*.

## Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies to report on the implementation of the Victorian Industry Participation Policy (VIPPP).

### Contracts commenced during 2013/14

Wannon Water commenced one contract in 2013/14 totalling \$1.56 million where a VIPPP Plan was required. The project was in regional Victoria.

The commitments by the contractor under VIPPP included:

- local content contributing to 75.5 per cent of the total value of the contract
- the retention of three full-time equivalent jobs
- the retention of one apprenticeship/traineeship

The commitments to the Victorian economy in terms of skills and technology transfer include skills in constructing and commissioning replacement groundwater bores.

Wannon Water commenced one contract in 2013/14 totalling \$1.09 million where a VIPPP Plan was not required. The project was in regional Victoria.

### Contracts completed during 2013/14

Four contracts were completed in 2013/14 collectively valued at \$15.58 million to which the VIPPP applied. The outcomes reported by contractors included:

- an average of 90 per cent of local content
- a total of 22 full-time equivalent jobs created and 12 positions retained
- one new apprenticeship/traineeship created and one existing apprenticeship/traineeship retained.

The benefits to the Victorian economy in terms of retention of skills from the completed projects included construction, commissioning and operation of water reclamation plants, earthworks, pipe works, electrical works and first aid training.

During the reporting period one small-to-medium sized business prepared a VIPPP Plan and there were no interaction reference numbers undertaken with the Industry Capability Network.



# CORPORATE INFORMATION

## Other disclosures

### Major contracts

No contracts greater than \$10 million were entered into.

### National competition policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. Wannon Water continues to implement and apply this principle in its business undertakings.

## Consultancy expenditure

### Consultants costing less than \$10,000

Wannon Water engaged five consultancies in 2013/14 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$26,042 (excluding GST).

### Consultants costing more than \$10,000

Four major consultancies were engaged in 2013/14 with a total value of \$248,538.

Consultant*	Purpose of consultancy	Total project fee (exc. GST) \$'000	Expenditure 2013/14 (exc. GST) \$'000	Future expenditure (exc. GST) \$'000
GHD Pty Ltd	Dam safety management	470	146	226
Enhar Pty Ltd	Professional services – energy efficiency	17	17	Nil
Urban Colours Arts Pty Ltd	Cultural heritage management plan	11	11	Nil
Odysseus-imc Pty Ltd	Asset management plan	166	75	Nil

\*The definition of consultancy was updated effective from 1 July 2013. Consequently, disclosures on the 2013/14 consultancy expenditure cannot be compared with previous year disclosures.

# PERFORMANCE REPORT

## Financial Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year	Notes	Variance to target	Notes
F1	<b>Cash interest cover</b> Net operating cash flows before net interest and tax / net interest payments	6.5 times	6.7 times	5.9 times	3.1%		13.6%	a
F2	<b>Gearing ratio</b> Total debt / total assets	14.8%	13.3%	16.1%	10.1%	b	17.4%	b
F3	<b>Internal financing ratio</b> Net operating cash flow less dividends / net capital expenditure	113.0%	130.5%	75.7%	15.5%	c	72.4%	c
F4	<b>Current ratio</b> Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.1 times	1.0 times	1.0 times	-9.1%		0.0%	
F5	<b>Return on assets</b> Earnings before net interest and tax / average assets	2.3%	1.2%	0.3%	-47.8%	d	300.0%	e
F6	<b>Return on equity</b> Net profit after tax/ average total equity	1.4%	0.3%	-0.4%	-78.6%	d	175.0%	e
F7	<b>EBITDA margin</b> Earnings before interest, tax, depreciation and amortisation / total revenue	48.1%	42.3%	35.4%	-12.1%	d	19.5%	e

### Notes:

- The result is favourable to target due to lower than budgeted payments to suppliers for goods and services.
- The result is favourable to target and last year. It reflects a reduction in total debt compared to target and last year. This was achieved due to lower than budgeted payments to suppliers for capital works and other goods and services.
- The result is favourable to target and last year. It reflects lower than budgeted payments to suppliers for goods and services and lower capital expenditure payments compared to last year.
- The result is unfavourable to last year due to a significant decrease in earnings driven by lower revenue and increased expenditure.
- The result is favourable to target due to an increase in earnings driven by lower than budgeted goods and services expenses.

# PERFORMANCE REPORT

## Water and Sewerage Service Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year	Notes	Variance to target	Notes
WS1	<b>Unplanned water supply interruptions</b> No. of customers receiving 5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers x 100	0.00%	0.00%	0.00%	0.0%		0.0%	
WS2	<b>Interruption time</b> Average duration of unplanned water supply interruptions	111 minutes	101 minutes	91 minutes	-9.0%	f	11.0%	f
WS3	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x 100	99%	99%	97%	0.0%		2.1%	
SS1	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers, contained within 5 hours / total sewer spills from reticulation and branch sewers x 100	100%	99%	98%	-1.0%		1.0%	
SS2	<b>Sewer spills interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100%	92%	98%	-8.0%	g	-6.1%	g

### Notes:

- f. A number of isolated instances requiring repairs during the reporting period resulted in longer unplanned water supply interruptions than the target. However, the number of instances was less than the previous reporting period, resulting in a reduced average duration of interruptions compared to the prior year. Wannon Water's proactive maintenance program will continue with the aim to reduce the number and duration of unplanned water supply interruptions.
- g. The result is unfavourable to target and last year's result. It is attributable to two unique instances where seven customers experienced an interruption that was not restored within 5 hours. Wannon Water's proactive maintenance program will continue with the aim to reduce the number of sewer supply interruptions.

## Customer Responsiveness Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year	Notes	Variance to target	Notes
CR1	<b>Water quality complaints</b> No. of complaints per 100 customers	0.08	0.04	0.30	-50.0%	h	-86.7%	h
CR2	<b>Sewerage service quality complaints</b> No. of complaints per 100 customers	0.01	0.03	0.08	200.0%	i	-62.5%	i
CR3	<b>Sewage odour complaints</b> No. of complaints per 100 customers	0.02	0.01	0.08	-50.0%	j	-87.5%	j
CR4	<b>Billing complaints</b> No. of complaints per 100 customers	0.31	0.17	0.50	-45.2%	k	-66.0%	k

### Notes:

- h. The result is favourable to target and last year's result due to targeted water flushing programs and improved water treatment.
- i. The result shows an increase compared to last year's result, however remains favourable to target due to a proactive program of sewer inspections.
- j. The result is favourable to target and last year's result due to the monitoring of venting systems and chemical dosing at sewer pump stations to minimise odours.
- k. The favourable result to target and last year's result is attributable to minor tariff increases and lower water use by customers.

## Environmental Performance Indicators

KPI No.	Key Performance Indicator	2012/13 Result	2013/14 Result	2013/14 Target	Variance to prior year	Notes	Variance to target	Notes
E1	<b>Effluent re-use volume (end use)</b> Percentage recycled	18%	12%	20%	-33.3%	l	-40.0%	l
E2	<b>Total net CO2 emissions</b> Net tonnes CO2 equivalent	30,586 tonnes	29,095 tonnes	31,456 tonnes	-4.9%		-7.5%	m

### Notes:

- l. The result is unfavourable to target and last year's result. It is partly attributable to the unavailability of re-use infrastructure and partly due to lower demand for effluent re-use. The lower demand was driven by the wetter than predicted period in the lead up to irrigation season. It is planned to increase the availability of re-use infrastructure by undertaking a proactive maintenance program on this infrastructure.
- m. The result is favourable to target and reflects a substantial reduction in energy required to pump water due to lower water demand.

# CERTIFICATION


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## Certification of Performance Report for 2013/14

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2013/14 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2013/14 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



J A Vogels

Chairman



GV Green

Managing Director

DATE: This 22nd day of August, 2014

# AUDITOR-GENERAL'S REPORT

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**VAGO**

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Wannon Region Water Corporation

#### *The Performance Report*

The accompanying performance report for the year ended 30 June 2014 of the Wannon Region Water Corporation which comprises the performance report, the related notes and the certification has been audited.

#### *The Board Members' Responsibility for the Performance Report*

The Board Members of the Wannon Region Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the performance report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the performance report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

# AUDITOR-GENERAL'S REPORT

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## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.


### *Opinion*

In my opinion, the performance report of the Wannon Region Water Corporation in respect of the 30 June 2014 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Performance Report*

This auditor's report relates to the performance report of the Wannon Region Water Corporation for the year ended 30 June 2014 included both in the Wannon Region Water Corporation's annual report and on the website. The Board Members of the Wannon Region Water Corporation are responsible for the integrity of the Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of the Wannon Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance report to confirm the information contained in the website version of the performance report.

MELBOURNE  
29 August 2014

  
John Doyle  
Auditor-General



# FINANCIAL STATEMENTS

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# COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>Revenue</b>	I (c)		
Service charges	4(a)	35,962	36,159
Usage charges	4(a)	31,680	30,438
Government grants and contributions	4(a)	107	1,340
Interest	4(a)	187	166
Developer and customer contributions	4(a)	613	921
Assets received free of charge or for nominal consideration	4(a)	1,511	1,769
Other income	4(a)	3,372	5,887
<b>Total Revenue</b>		<b>73,432</b>	76,680
<b>Expenses</b>			
Employee benefits	I (d), 4(c)	(17,876)	(17,025)
Depreciation	I (d), 4(c)	(23,010)	(22,453)
Amortisation	I (d), 4(c)	(863)	(909)
Supplies and services	4(c)	(19,809)	(19,274)
Borrowing costs	I (d), 4(c)	(5,647)	(5,979)
Net gain / (loss) on disposal of non-current assets	4(b)	(1,064)	(878)
Environmental contribution	I (d)	(2,557)	(1,569)
<b>Total Expenses</b>		<b>(70,826)</b>	(68,087)
<b>Net result before tax</b>		<b>2,606</b>	8,593
<b>Income tax (expense) / revenue</b>	5(a)	<b>(1,158)</b>	(1,972)
<b>Net result for the period</b>		<b>1,448</b>	6,621
<b>Comprehensive result</b>		<b>1,448</b>	6,621

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

# BALANCE SHEET

As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	I(e), 6	260	3,473
Receivables	I(e), 7	16,721	16,221
Inventories	I(e), 8	634	624
Prepayments	I(e), 9	731	730
<b>Total current assets</b>		<b>18,346</b>	21,048
<b>Non-current assets</b>			
Receivables	I(e), 7	13,801	14,881
Property, plant and equipment	I(e), 10	552,845	557,606
Intangible assets	I(e), 11	6,689	6,816
<b>Total non-current assets</b>		<b>573,335</b>	579,303
<b>TOTAL ASSETS</b>		<b>591,681</b>	600,351
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	I(f), 12	5,293	6,920
Interest bearing liabilities	I(f), 13	11,722	11,043
Employee benefits	I(f), 14	3,347	3,214
<b>Total current liabilities</b>		<b>20,362</b>	21,177
<b>Non-current liabilities</b>			
Interest bearing liabilities	I(f), 13	67,216	77,727
Employee benefits	I(f), 14	690	642
Net deferred tax liabilities	I(i), 5(d)	38,039	36,879
<b>Total non-current liabilities</b>		<b>105,945</b>	115,248
<b>TOTAL LIABILITIES</b>		<b>126,307</b>	136,425
<b>NET ASSETS</b>		<b>465,374</b>	463,926
<b>Equity</b>			
Contributed capital	I(g), 15	441,165	441,165
Reserves	16	13,490	13,325
Accumulated funds	17	10,719	9,436
<b>TOTAL EQUITY</b>		<b>465,374</b>	463,926

The above Balance Sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Contributed Capital \$'000	Reserves \$'000	Accumulated Funds \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	441,165	11,744	4,396	457,305
<b>Total comprehensive income for the period</b>	-	-	6,621	6,621
<b>Transfer from accumulated funds on disposal</b>	-	1,581	(1,581)	-
<b>Balance at 30 June 2013</b>	<b>441,165</b>	<b>13,325</b>	<b>9,436</b>	<b>463,926</b>
<b>Total comprehensive income for the period</b>	-	-	1,448	1,448
<b>Transfer from accumulated funds on disposal</b>	-	165	(165)	-
<b>Balance at 30 June 2014</b>	<b>441,165</b>	<b>13,490</b>	<b>10,719</b>	<b>465,374</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CASH FLOW STATEMENT

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service and usage charges		66,759	65,096
GST recovered		3,777	4,390
Capital grants received		107	1,340
Capital charges received		1,601	1,619
		<b>72,244</b>	72,445
<b>Payments</b>			
Payments to suppliers and employees		(33,783)	(33,429)
GST paid		(3,800)	(4,238)
Interest and other costs of finance paid		(5,695)	(5,968)
Environmental contributions		(2,557)	(1,569)
		<b>(45,835)</b>	(45,204)
<b>Net cash inflow from operating activities</b>	23	<b>26,409</b>	27,241
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(20,237)	(24,106)
Proceeds from sale of infrastructure, property, plant and equipment		447	1,014
<b>Net cash (outflow) from investing activities</b>		<b>(19,790)</b>	(23,092)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,211	9,811
Repayment of borrowings		(11,043)	(10,511)
Proceeds from contributions by owners		-	-
<b>Net cash inflow/ (outflow) from financing activities</b>		<b>(9,832)</b>	(700)
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(3,213)</b>	3,449
Cash and cash equivalents at start of the financial year		3,473	24
<b>Cash and cash equivalents at the end of the financial year</b>	6(a)	<b>260</b>	3,473
Financing arrangements	13		

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

## Note 1. Accounting policies

### (a) Basis of Accounting

#### General

The financial report includes separate financial statements for Wannon Region Water Corporation as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Wannon Region Water Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on 22 August 2014.

The principal address is:  
25 Gateway Rd  
Warrnambool VIC 3280

#### Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

#### Functional and presentation currency

Items included in this financial report are measured using the currency of the primary economic environment in which Wannon Region Water Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Wannon Region Water Corporation's functional and presentation currency.

#### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over in the next twelve months, being the Corporation's operating cycle. See Note 1(f) for a variation in relation to employee benefits.

#### Rounding

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand dollars. Figures in the financial report may not equate due to rounding.

#### Historical cost convention

This financial report has been prepared under the historical cost convention, except for the revaluation of financial assets, certain classes of property, plant and equipment and investment property.

#### Accounting estimates

The preparation of the financial report in conformity with AASs requires the use of certain accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

Accounting estimates undertaken in the preparation of this financial report relate to:

- the estimation of useful lives for infrastructure assets
- the impairment of assets
- the estimation of accrued tariffs and charges calculation
- the calculation of provision for impaired receivables
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions

These assumptions are discussed in notes 1(d) and 1(e) and the related carrying amounts are disclosed in notes 4, 10, 11, 12, 14 and 21.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

## Note 1. Accounting policies (continued)

### (b) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

#### **AASB 13 Fair Value Measurement**

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when Wannon Water is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. Wannon Water has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and no adjustments were made. In light of AASB 13, Wannon Water has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of Wannon Water. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 Financial Instruments: Disclosures.

#### **AASB 119 Employee Benefits**

In 2013-14, Wannon Water has applied AASB 119 Employee Benefits (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. No defined benefit obligation has been recognised in the current year balance sheet.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. Wannon Water expects that all short term employee benefits will be settled wholly within the following twelve months and as a result has not materially altered its measurement of the annual leave provision in the current year and for comparative purposes.

### (c) Revenue

#### **Service and usage charges**

Tariff and service charges are recognised as revenue when levied or determined.

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per trade waste agreements. The meters are read on a monthly basis with accounts sent on a quarterly basis.

Water usage charges by measure are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by the customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

#### **Interest**

Interest income is recognised using the effective interest rate method.

#### **Assets received free of charge or for nominal consideration / Developer and customer contributions**

Water and sewer infrastructure assets built by developers in new land subdivisions that, on transfer of control, are provided to the Corporation and recognised as revenue at their fair value, or fees paid by developers to connect new developments to the Corporation's existing water supply and sewerage systems, are recognised as revenue when the contributions are received.

#### **Government grants and contributions**

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004 Contributions, whichever is the sooner; and disclosed in the comprehensive operating statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity - Contributions by owners in accordance with FRD 119A Transfers through Contributed Capital.



# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 1. Accounting policies (continued)

### (c) Revenue (continued)

#### Other Income

Other income includes land lease rentals, general recoveries and interest recoveries on loans, recycled water sales, information statement income and connection and inspection fees. Other income is recognised when the right to receive payment is established.

### (d) Expenses

#### Employee benefits

These expenses include all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

#### Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Wannon Water to the relevant superannuation plans in respect to the services of Wannon Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Wannon Water is required to comply with.

#### Depreciation and amortisation of non-current assets

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets with finite useful lives are amortised as an expense on a straight line basis commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance sheet date. All intangible assets are tested for impairment annually as outlined in Note 1(e).

Major depreciation periods used are listed below and are consistent with the prior year, unless otherwise stated.

Asset Class	Period	Asset Class	Period
Bores	40 years	Buildings	5 - 150 years
Electrical	15 - 25 years	Furniture and fittings	5 - 20 years
Lagoons	2 - 300 years	Manholes	80 years
Mechanical	20 - 25 years	Meters	15 - 20 years
Pipes	2 - 150 years	Plant, equipment & motor vehicles	2 - 20 years
Pumps	15 - 40 years	Reservoirs	2 - 300 years
Service basins	2 - 300 years	Tanks	40 - 80 years
Towers	50 - 80 years		

#### Supplies and Services

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed. Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation requirements, the cost is capitalised and depreciated.

#### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on short-term and long-term borrowings and financial accommodation levy.

#### Environmental contributions

The Corporation has a statutory obligation to pay an environmental contribution to the Department of Environment and Primary Industries. This contribution is recognised as an expense during the reporting period as incurred.

*Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives.

The environmental contributions are disclosed separately within the comprehensive operating statement.

## Note 1. Accounting policies (continued)

### (d) Expenses (continued)

#### **Net gain / (loss) on disposal of non-current assets**

Any gain or loss on the disposal of non-current assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

### (e) Assets

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values.

#### **Receivables**

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables; and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable

Contractual receivables are classified as financial instruments and categorised as loans and receivables

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Contractual receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables. Trade receivables are due for settlement no more than 28 days from the date of recognition for water utility debtors, and no more than 30 days for other debtors.

Collectability of contractual receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amounts credited to the allowance are recognised as an expense in the comprehensive operating statement.

#### **Inventories**

Inventories comprise stores and materials used for the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a first in, first out basis.

#### **Prepayments**

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

#### **Property, plant and equipment**

##### *Recognition and measurement of assets*

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles used by the Corporation in its operations. Items with an estimated useful life of more than two years or are considered to be an attractive item are recognised as an asset. All other assets acquired are expensed.

Assets acquired at no cost, or for nominal consideration by the Corporation, are recognised at their fair value at the date of acquisition.

##### *Measurement of non-current physical assets*

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103E Non-Current Physical Assets.

Revaluations are conducted in accordance with FRD 103E. Scheduled revaluations are undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer to perform detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Plant, equipment and motor vehicles are measured at fair value. Managements assessment is that depreciated cost approximates fair value.

For the plant, equipment and vehicles asset class, where the Corporation is able to demonstrate that there is no evidence that a reliable market - based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost is used to represent a reasonable approximation of fair value.

## Note 1. Accounting policies (continued)

### (e) Assets (continued)

Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103E. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water infrastructure occurred as at 30 June 2011 and was undertaken with involvement from Valuer General of Victoria (VGV), under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise is provided in Note 10.

#### *Revaluation of non-current physical assets*

Revaluation increments are credited directly to equity in the asset revaluation reserve surplus / (deficit), except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

#### *Impairment of assets*

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indicators of impairment, except for:

- Inventories
- Deferred tax assets
- Financial instrument assets; and,
- Non-current assets held for sale

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to the class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the comprehensive operating statement, a reversal of that impairment loss is also recognised in the comprehensive operating statement.

#### *Assets classified as held for sale*

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Corporation considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

#### *Intangibles*

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

Permanent water entitlements purchased are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD109 Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent entitlements are tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2009 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

A summary of the policies applied to the Corporation's intangible assets is as follows:

	Software Costs	Bulk Water Entitlement
Useful lives	Finite	Indefinite
Amortisation method used	4 years - Straight line	Not amortised or revalued
Internally generated / Acquired	Internally generated	Acquired
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year end. Reviewed annually for indicators of impairment	Annually and where an indicator of impairment exists

## Note 1. Accounting policies (continued)

### (f) Liabilities

#### **Payables**

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do

The contractual payables are unsecured and are usually paid within 30 days of recognition.

#### **Interest bearing liabilities**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the comprehensive operating statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **Provisions**

Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rates that reflect the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### **Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

##### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- undiscounted value - if the Corporation expects to wholly settle within 12 months; or
- present value - if the Corporation does not expect to wholly settle within 12 months

##### *Long service leave (LSL)*

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the Notes to the Financial Statements as a current liability, even where the Corporation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at

- undiscounted value - if the Corporation expects to wholly settle within 12 months; and
- present value - if the Corporation does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

##### *Employee benefit on-costs*

Employee benefit on-costs, including payroll tax and worker's compensation are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities. On-costs are disclosed separately in note 14 - employee benefits.

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 1. Accounting policies (continued)

### (g) Equity

#### **Contributed capital**

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

### (h) Financial instruments

#### **Recognition**

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability.

Subsequent to initial recognition, the financial instruments are measured as set out below.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

#### **Impairment of financial assets**

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired.

### (i) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 19) at their nominal value and inclusive of the goods and services tax (GST) payable.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### (k) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 20), and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### (l) Dividend policy

The Corporation is required to pay a dividend in accordance with the determination of the Treasurer of Victoria under the *Public Authorities (Dividend) Act 1983*, based on a prescribed percentage of the previous years' adjusted net profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer, and a formal determination is made by the Treasurer. The Corporation's preliminary estimate for the reporting period is \$Nil. (2013 : \$Nil)

## Note 1. Accounting policies (continued)

### (m) Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis - ie inclusive of GST. The GST component of cash flows arising from investing and financing activities, which is recoverable or payable to the ATO, is classified as operating cash flows.

### (n) Fair value

Consistent with AASB 13 Fair Value Measurement, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment and financial instruments and for non recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Corporation determines whether transfers have occurred between levels in the hierarchy by re assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency. The Corporation, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. This includes the use of certain valuation indices to calculate desktop valuations for certain classes of assets. These indices are:

- Road and Bridge Construction (Victoria) for pipelines, dams, reservoirs and channels;
- Stage of Production – Final Domestic Capital (Australia) index for other built asset classes; and
- Postcode Indexation Factors as provided by the Australian Bureau of Statistics - used for valuation of Land and Buildings.

#### *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the entity at the measurement date; and
- that the entity uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

#### *Consideration of highest and best use for non-financial physical assets*

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with paragraph AASB 13.29, Wannon Water assumes that the current use of a non-financial physical asset is its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

#### *Identifying unobservable inputs (Level 3) fair value measurements*

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 1. Accounting policies (continued)

### (o) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. Wannon Water has reviewed all new accounting standards and interpretations that are not yet effective and has identified only one standard / interpretation that applies to the Corporation. As at 30 June 2014, the following standard has been issued but was not mandatory for the financial year ending 30 June 2014. The Corporation has not, and does not, intend to adopt this standard early.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on Corporation's financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase I of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 January 2017	<p>Wannon Water is yet to assess its full impact. However, a preliminary assessment has identified that the financial impact of available for sale assets will now be reported through other comprehensive income and no longer recycled to the profit and loss.</p> <p>While the preliminary assessment did not identify any material impact arising from AASB 9, it will continue to be monitored and assessed.</p>

## Note 2: Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks and ageing analysis for credit risk.

Risk management is carried out by the Audit and Risk Management Committee under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

An effective framework is in place to adequately assess, monitor, manage and report, the significant financial risks to which the Corporation is exposed to as a result of, and in the course of its activities and responsibilities.

The main risks the Corporation is exposed to through its financial instruments are as follows:



# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 2: Financial risk management objectives and policies (continued)

### (a) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

#### (i) Interest rate risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's long term borrowings.

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding fixed rate debt. Debt is sourced from Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. In accordance with Wannon Water's Treasury Management Policy, floating debt is limited to less than 20% of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

#### (ii) Foreign exchange risk

The Corporation has limited exposure to changes in the foreign exchange rate. Borrowings are not conducted in foreign currencies.

Wannon Water transacts in foreign currencies only in rare instances and for small dollar value transactions, therefore the associated risk is minimal. In managing foreign currency risk, Wannon Water generally uses forward exchange contracts to hedge its foreign currency risk in respect of purchases.

#### (iii) Other price risk

The Corporation has no significant exposure to other price risk.

### Market risk sensitivity analysis

#### Cash flow sensitivity analysis for variable rate instruments.

A change of 1% in interest rates constantly applied during the reporting period would increase (decrease) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant. It has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that a movement of 1% in interest rates is reasonable over the next 12 months.

The following table summarises the impact of increases / decreases of the relevant interest rates on the Corporation's post-tax profit for the year and equity.

30 June 2014	Carrying amount \$'000	INTEREST RATE RISK			
		Result \$'000	-1% Equity \$'000	+1% Result \$'000	+1% Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	260	(29)	(29)	29	29
Receivables	21,280	-	-	-	-
<b>Financial liabilities</b>					
Payables	5,280	-	-	-	-
Interest bearing liabilities	78,938	1	1	(1)	(1)
<b>Total increase / (decrease)</b>		<b>(28)</b>	<b>(28)</b>	<b>28</b>	<b>28</b>

30 June 2013	Carrying amount \$'000	INTEREST RATE RISK			
		Result \$'000	-1% Equity \$'000	+1% Result \$'000	+1% Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	3,471	(6)	(6)	6	6
Receivables	22,062	-	-	-	-
<b>Financial liabilities</b>					
Payables	6,876	-	-	-	-
Interest bearing liabilities	88,770	14	14	(14)	(14)
<b>Total increase / (decrease)</b>		<b>8</b>	<b>8</b>	<b>(8)</b>	<b>(8)</b>

## Note 2: Financial risk management objectives and policies (continued)

### (b) Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables and financial assets available for sale.

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 7.

### (c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

To manage liquidity risk Wannon Water has in place an ability to access funds via overnight notifications to Treasury Corporation of Victoria in accordance with the Treasurer's borrowing approval limits. Under the State of Victoria's centralised borrowing arrangement, Treasury Corporation of Victoria has assumed responsibility for securing adequate access to global financial markets. Thus, the liquidity risk faced by Wannon Water is commensurate with the liquidity risk of the State of Victoria, which is not considered significant.

The Corporation's financial liability maturities have been disclosed in Note 18.

### (d) Fair value measurements

The carrying amounts of trade receivables and payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments. The fair value of current borrowings approximate the carrying amount, as the impact of discounting is not significant.

The carrying amount and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in Note 18.

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

There were no estimates or assumptions made that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Note 4. Revenue and expense disclosures

	2014 \$'000	2013 \$'000
<b>(a) Revenues</b>		
<b>Service charges</b>		
Water	9,910	10,603
Sewer	26,052	25,556
<b>Total service charges</b>	<b>35,962</b>	<b>36,159</b>
<b>Usage charges</b>		
Water	23,774	23,880
Trade waste	7,906	6,558
<b>Total usage charges</b>	<b>31,680</b>	<b>30,438</b>
<b>Interest</b>		
Interest on bank deposits	15	16
Income from investments	88	32
Other	84	118
<b>Total interest</b>	<b>187</b>	<b>166</b>
<b>Developer and customer contributions</b>		
Fees paid by developers and customers	613	921
<b>Total developer and customer contributions</b>	<b>613</b>	<b>921</b>
<b>Assets received free of charge or for nominal consideration</b>		
Assets received free of charge from developers	1,511	1,769
<b>Total assets received free of charge or for nominal consideration</b>	<b>1,511</b>	<b>1,769</b>
<b>Government grants and contributions</b>		
Government contributions	107	1,340
<b>Total government grants and contributions</b>	<b>107</b>	<b>1,340</b>
<b>Other income</b>		
Rental	324	243
Cost recoveries	1,548	2,101
Information statements	197	279
Connection and inspection fees	226	352
Miscellaneous	1,077	2,912
<b>Total other revenue</b>	<b>3,372</b>	<b>5,887</b>

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 4. Revenue and expense disclosures (continued)

	2014 \$'000	2013 \$'000
<b>(b) Net gain / (loss) on disposal of non-current assets</b>		
<b>Cost of assets disposed</b>		
Infrastructure	(1,030)	(877)
Land	-	(394)
Buildings	(20)	(87)
Office equipment	(23)	(19)
Motor vehicles	(438)	(515)
<b>Total written down value of assets disposed</b>	<b>(1,511)</b>	<b>(1,892)</b>
<b>Proceeds of assets disposed</b>		
Motor vehicle trade ins	443	539
Other asset sales	4	475
<b>Total proceeds of asset disposed</b>	<b>447</b>	<b>1,014</b>
<b>Net gain / (loss) on disposal of non-current assets</b>	<b>(1,064)</b>	<b>(878)</b>
<b>(c) Expenses</b>		
<b>Employee benefits</b>		
Salaries and wages	(14,813)	(14,166)
Annual leave	(1,151)	(1,130)
Long service leave	(509)	(401)
Employer superannuation contributions	(1,240)	(1,176)
Defined benefit superannuation expense	(163)	(152)
<b>Total employee benefits expense</b>	<b>(17,876)</b>	<b>(17,025)</b>
<b>Depreciation</b>		
Land improvements	(13)	(13)
Buildings	(509)	(500)
Infrastructure	(19,832)	(19,548)
Other equipment	(2,656)	(2,392)
<b>Total depreciation</b>	<b>(23,010)</b>	<b>(22,453)</b>
<b>Amortisation</b>		
Intangible assets - computer software	(863)	(909)
<b>Total amortisation</b>	<b>(863)</b>	<b>(909)</b>
<b>Supplies and services</b>		
Chemicals	(736)	(724)
Consultancies and contractors	(8,358)	(8,278)
Electricity	(3,280)	(2,995)
Other goods and services	(7,435)	(7,277)
<b>Total supplies and services</b>	<b>(19,809)</b>	<b>(19,274)</b>
<b>Borrowing costs</b>		
Interest on loans - other institutions	-	(1)
Interest on loans - TCV	(4,806)	(5,107)
Financial accommodation levy	(841)	(871)
<b>Total borrowing costs</b>	<b>(5,647)</b>	<b>(5,979)</b>

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 5. Income tax

### (a) Reconciliation of income tax to prima facie tax payable

The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:

Net result before income tax expense	2014 \$'000	2013 \$'000
	2,606	8,593
Income tax calculated @ 30% (2013: 30%)	782	2,577
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Deduction on disposal of fixed assets - tax	(107)	(610)
Non-deductible expenses	9	5
Prior year adjustment	474	-

### Income tax as reported in the comprehensive operating statement

### (b) Deferred tax assets

The balance comprises temporary differences attributable to:  
Amounts recognised in the comprehensive operating statement

Prior and current tax losses	40,718	40,400
Provisions and accrued expenditure not deductible	1,501	1,707
	42,219	42,107
Movement		
Opening balance 1 July	42,107	43,258
Annual movement	112	(1,151)
<b>Closing balance 30 June</b>	<b>42,219</b>	<b>42,107</b>

### (c) Deferred tax liabilities

The balance comprises temporary differences attributable to:  
Amounts recognised in the comprehensive operating statement

Depreciation and revaluation	(77,484)	(76,274)
Other	(2,774)	(2,712)
	(80,258)	(78,986)
Movement		
Opening balance 1 July	(78,986)	(78,334)
Annual movement	(1,272)	(652)
<b>Closing balance 30 June</b>	<b>(80,258)</b>	<b>(78,986)</b>

### (d) Net deferred tax liabilities

Deferred tax assets	42,219	42,107
Deferred tax liabilities	(80,258)	(78,986)
<b>Net deferred tax liabilities</b>	<b>(38,039)</b>	<b>(36,879)</b>

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 6. Cash and cash equivalents

	2014 \$'000	2013 \$'000
Cash on hand	2	2
Cash at bank	258	15
Deposits at call	-	3,456
	<b>260</b>	<b>3,473</b>
<b>(a) Reconciliation to cash as at the end of year</b>		
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	260	3,473
<b>Balances as per cash flow statement</b>	<b>260</b>	<b>3,473</b>
<b>(b) Deposits at call</b>		
The 2013 deposit was bearing a floating interest rate of 2.70% at 30 June 2013	-	3,456

## Note 7. Receivables

### Current

Tariffs and charges	4,109	4,143
Accrued tariffs and charges	9,242	9,040
Less: Provision for impaired receivables	(50)	(55)
	<b>13,301</b>	<b>13,128</b>
Amounts owing from the Victorian Government Schemes/ Receivables	564	177
	69	73
	<b>633</b>	<b>250</b>
Other receivables	2,425	2,476
GST receivable	362	367
	<b>2,787</b>	<b>2,843</b>
Total current receivables	<b>16,721</b>	<b>16,221</b>
<b>Non-current</b>		
Schemes / Receivables	157	241
Other receivables	13,644	14,640
Total non-current receivables	<b>13,801</b>	<b>14,881</b>
Total receivables	<b>30,522</b>	<b>31,102</b>

### (a) Provision for impaired receivables

As at 30 June 2014, current receivables of the Corporation with a nominal value of \$49,618 (2013: \$54,950) were impaired. The amount of the provision is \$49,618 (2013: \$54,950). The individually impaired receivables mainly relate to customers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

1 to 3 months	6	5
3 to 6 months	17	18
Over 6 months	27	32
	<b>50</b>	<b>55</b>

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 7. Receivables (continued)

Movements in the provision for impaired receivables are as follows:

As at 1 July  
Provision for impairment recognised during the year  
Receivables written off during the year as uncollectible

2014 \$'000	2013 \$'000
55	62
35	30
(40)	(37)
<b>50</b>	<b>55</b>

The creation and release of the provision for impaired receivables has been included as an expense in the comprehensive operating statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

### (b) Past due but not impaired trade receivables

As of 30 June 2014, trade receivables of \$2,206,998 (2013: \$2,176,935) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

1 to 3 months  
3 to 6 months  
Over 6 months

1,034	1,068
575	601
598	508
<b>2,207</b>	<b>2,177</b>

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

## Note 8. Inventories

### Current

Stores and consumables - at cost

634	624
<b>634</b>	<b>624</b>

### Total inventories

## Note 9. Prepayments

### Current

Prepaid expenses

731	730
<b>731</b>	<b>730</b>

### Total prepayments

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 10. Property, plant and equipment

### (a) Classes of property, plant and equipment

#### Land

Freehold - at fair value  
Crown - at fair value  
Land improvements - at fair value  
Less accumulated depreciation

**2014**  
**\$'000**

2013  
\$'000

**26,624**  
**146**  
**530**  
**(48)**

26,624  
146  
530  
(35)

**27,252**

27,265

#### Buildings

At fair value  
Less accumulated depreciation

**32,475**  
**(9,211)**

31,089  
(8,708)

**23,264**

22,381

#### Water infrastructure

At cost  
At fair value  
Less accumulated depreciation

**25,944**  
**551,077**  
**(295,069)**

18,354  
553,597  
(284,204)

**281,952**

287,747

#### Sewer infrastructure

At cost  
At fair value  
Less accumulated depreciation

**43,067**  
**344,477**  
**(190,796)**

19,821  
345,646  
(184,369)

**196,748**

181,098

#### Plant & equipment (including motor vehicles)

At cost  
Less accumulated depreciation

**20,826**  
**(11,146)**

18,023  
(8,996)

**9,680**

9,027

#### Under construction - at cost

**13,949**

30,088

#### Total property plant and equipment

**552,845**

557,606

An independent valuation of Wannon Water's property, plant and equipment was performed by agents of the Valuer-General Victoria to determine the fair value of land, buildings and infrastructure. The valuations conform to Australian Valuation Standards and Australian Accounting Standards. The effective date of the valuation is 30 June 2011.

Buildings were valued by Egan National Valuers (Vic). Fair value was determined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Where there is no evidence of fair value because of the specialised nature of the asset, depreciated replacement cost (DRC) was used. DRC is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. An allowance was made, for the continued use as a special purpose asset for the fulfilment of community service obligations.

Land was valued by Egan National Valuers (Vic). Fair value was determined using the market based direct comparison approach, taking into consideration the continued use as a special purpose asset for the fulfilment of community service obligations.

Buildings related to water and sewer infrastructure were valued by AECOM. Fair value was determined using the depreciated replacement cost method, with current replacement cost determined based on the optimum equivalent.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria (using AECOM). The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2010. Cost models were built based on actual construction information complimented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.



# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 10. Property, plant and equipment (continued)

### (b) Movements during the reporting period

2013-14	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2013	27,265	22,381	468,845	9,027	30,088	557,606
Additions	-	1,413	9,481	3,674	5,213	19,781
Disposals	-	(21)	(1,030)	(460)	-	(1,511)
Transfers between categories	-	-	21,236	95	(21,352)	(21)
Depreciation expense	(13)	(509)	(19,832)	(2,656)	-	(23,010)
Closing WDV at 30 June 2014	27,252	23,264	478,700	9,680	13,949	552,845

2012-13	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant & Equipment \$'000	In the course of construction \$'000	Total \$'000
Opening WDV at 1 July 2012	27,497	22,772	476,502	9,015	17,501	553,287
Additions	-	109	9,393	2,904	16,144	28,550
Disposals	(219)	-	(1,033)	(533)	-	(1,785)
Transfers between categories	-	-	3,524	33	(3,557)	-
Depreciation expense	(13)	(500)	(19,541)	(2,392)	-	(22,446)
Closing WDV at 30 June 2013	27,265	22,381	468,845	9,027	30,088	557,606

### Fair value measurement hierarchy for assets as at 30 June 2014

The carrying amounts and fair values of financial assets and financial liabilities at balance date are:

	Carrying amount at 30-Jun-14 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land and land improvements at fair value				
Specialised land	27,252	-	-	27,252
<b>Total of land and land improvements at fair value</b>	<b>27,252</b>	<b>-</b>	<b>-</b>	<b>27,252</b>
Buildings at fair value				
Specialised buildings	23,264	-	-	23,264
<b>Total of buildings at fair value</b>	<b>23,264</b>	<b>-</b>	<b>-</b>	<b>23,264</b>
<b>Water infrastructure at fair value</b>				
Water reticulation & distribution	211,460	-	-	211,460
Water treatment plants	30,419	-	-	30,419
Water reservoirs & service basins	40,073	-	-	40,073
<b>Total of water infrastructure at fair value</b>	<b>281,952</b>	<b>-</b>	<b>-</b>	<b>281,952</b>
<b>Sewer infrastructure at fair value</b>				
Sewer reticulation	127,231	-	-	127,231
Sewer treatment plants	69,517	-	-	69,517
<b>Total of sewer infrastructure at fair value</b>	<b>196,748</b>	<b>-</b>	<b>-</b>	<b>196,748</b>
Plant, equipment and vehicles at fair value				
Vehicles	3,158	-	-	3,158
Plant and equipment	6,522	-	-	6,522
<b>Total of plant, equipment and vehicles at fair value</b>	<b>9,680</b>	<b>-</b>	<b>-</b>	<b>9,680</b>

Classified in accordance with the fair value hierarchy. See Note 1(n).

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 10. Property, plant and equipment (continued)

### Specialised Land and Buildings

The market approach is used for the valuation of specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3 fair value measurements.

For specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered significant unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the Corporations' specialised land and specialised buildings was performed by the Valuer-General Victoria (using Egan National Valuers Pty. Ltd.). The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2011. Fair value was assessed by management at 30 June 2014.

### Water and Sewer Infrastructure

Water and sewer infrastructure are valued using the depreciated replacement cost method. This cost represents the replacement cost of the infrastructure/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as underground assets or structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the infrastructure. As these assumptions are considered significant unobservable inputs, water and sewer infrastructure are classified as level 3 fair value measurements.

An independent valuation of the Corporation's water and sewer infrastructure was performed by the Valuer-General Victoria (using AECOM Australia Pty. Ltd.). The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2011. Fair value was assessed by management at 30 June 2014.

### Vehicles

Vehicles are valued using the depreciated replacement cost method. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by an experienced fleet manager in the Corporation. Management sets relevant depreciation rates to reflect the utilisation of the vehicles. As this assumption is considered a significant unobservable input, vehicles are classified as a level 3 fair value measurement.

### Plant and Equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. As this assumption is considered a significant unobservable input, plant and equipment is classified as a level 3 fair value measurement.

There were no changes in valuation techniques throughout the period ending 30 June 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

## Reconciliation of level 3 fair value

2014	Specialised Land \$000	Specialised Buildings \$000	Water Infrastructure \$000	Sewer Infrastructure \$000	Plant and Equipment \$000	Vehicles \$000
<b>Opening balance</b>	<b>27,265</b>	<b>22,381</b>	<b>287,747</b>	<b>181,098</b>	<b>5,848</b>	<b>3,179</b>
Additions / purchases	-	1,413	7,590	23,127	2,734	1,035
Transfers in (out) of Level 3	-	-	-	-	-	-
Disposals	-	(21)	(704)	(315)	(23)	(437)
Depreciation	(13)	(509)	(12,681)	(7,162)	(2,037)	(619)
Impairment loss	-	-	-	-	-	-
<b>Subtotal</b>	<b>(13)</b>	<b>883</b>	<b>(5,795)</b>	<b>15,650</b>	<b>674</b>	<b>(21)</b>
Revaluation	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>27,252</b>	<b>23,264</b>	<b>281,952</b>	<b>196,748</b>	<b>6,522</b>	<b>3,158</b>
Unrealised gains / (losses) on non-financial assets	-	-	-	-	-	-

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 10. Property, plant and equipment (continued)

### Description of significant unobservable inputs to Level 3 valuations

Asset class	Valuation techniques	Significant unobservable inputs	Unit cost (range) range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
<b>Specialised land</b>	Market approach	Community Service Obligation (CSO) adjustment	CSO adjustment 20%	A significant increase (decrease) in the CSO adjustment would result in a significantly lower (higher) fair value
		Land value range	\$1,000 - \$1.22M	
<b>Specialised buildings</b>	Depreciated replacement cost	Cost per building	\$114,602 (\$20 - \$10.05M)	A significant increase (decrease) in cost per building and/or estimated useful life of the asset would result in a significantly higher (lower) fair value
		Useful life of specialised Buildings	5 to 150 years (81 years)	
<b>Water reticulation &amp; distribution</b> (1,881,916m)	Depreciated replacement cost	Cost per metre	\$111 per metre (\$0 - \$8.91M)	A significant increase (decrease) in cost per metre and/or estimated useful life of the asset would result in a significantly higher (lower) fair value
		Useful life of the infrastructure	2 to 150 years (82 years)	
<b>Water treatment plants</b> (35 total)	Depreciated replacement cost	Cost per treatment plant	\$869,108 (\$0 - \$5.29M)	A significant increase (decrease) in cost per treatment plant and/or estimated useful life of the asset would result in a significantly higher (lower) fair value
		Useful life of the infrastructure	1 to 150 years (41 years)	
<b>Water reservoirs &amp; service basins</b> (8 total)	Depreciated replacement cost	Cost per unit	\$5,009,125 (\$0.52M - \$6.59M)	A significant increase (decrease) in cost per unit and/or estimated useful life of the asset would result in a significantly higher (lower) fair value
		Useful life of the infrastructure	2 to 300 years (64 years)	
<b>Sewer reticulation</b> (909,701m)	Depreciated replacement cost	Cost per metre	\$139 per metre (\$0 - \$1.34M)	A significant increase (decrease) in cost per metre and/or estimated useful life of the asset would result in a significantly higher (lower) fair value
		Useful life of the infrastructure	1 to 150 years (77 years)	
<b>Sewer treatment plants</b> (25 total)	Depreciated replacement cost	Cost per treatment plant	\$2,780,680 (\$0 - \$13.74M)	A significant increase (decrease) in cost per treatment plant and/or estimated useful life of the asset would result in a significantly higher (lower) fair value
		Useful life of the infrastructure	2 to 250 years (84 years)	
<b>Plant and equipment</b>	Depreciated replacement cost	Cost per unit	\$1,375 per unit (\$0 - \$0.06M)	A significant increase (decrease) in cost per unit and/or estimated useful life of the asset would result in a significantly higher (lower) fair value.
		Useful life of plant and equipment	5 to 20 years (8 years)	
<b>Vehicles</b>	Depreciated replacement cost	Cost per unit	\$23,746 per unit (\$0 - \$0.11M)	A significant increase (decrease) in cost per unit and/or estimated useful life of the asset would result in a significantly higher (lower) fair value
		Useful life of vehicles	2 to 10 years (5 years)	

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 11. Intangible assets

### (a) Classes of intangibles

Computer software at cost  
Less: Accumulated amortisation

Bulk water entitlement

### Total intangibles

2014 \$'000	2013 \$'000
5,408 (3,469)	4,674 (2,608)
1,939	2,066
4,750	4,750
6,689	6,816

### (b) Movements during the reporting period 2013-14

Opening WDV at 1 July 2013  
Additions  
Transfer between categories  
Amortisation expense  
Closing WDV at 30 June 2014

Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
2,066	4,750	6,816
715	-	715
21	-	21
(863)	-	(863)
1,939	4,750	6,689

### 2012-13

Opening WDV at 1 July 2012  
Additions  
Amortisation expense  
Closing WDV as at 30 June 2013

Software \$'000	Bulk Water Entitlement \$'000	Total \$'000
2,485	4,750	7,235
490	-	490
(909)	-	(909)
2,066	4,750	6,816

## Note 12. Payables

### Current

Trade creditors  
Other creditors - Superannuation defined benefits  
Accrued loan interest  
Contract deposits  
Income received in advance

### Total current payables

2014 \$'000	2013 \$'000
4,768 - 13 313 199	4,978 1,458 44 253 187
5,293	6,920

### Sensitivity analysis

For an analysis of the sensitivity of payables to interest rate risk refer to note 2.

## Note 13. Interest bearing liabilities

### Current

### Secured

Bank loans  
TCV loans

### Total current interest bearing liabilities

### Non-current

### Secured

TCV loans

### Total non-current interest bearing liabilities

2014 \$'000	2013 \$'000
- 11,722	9 11,034
11,722	11,034
67,216	77,727
67,216	77,727

### Security over borrowings

Borrowings are secured over the future tariff revenue of Wannon Region Water Corporation.



# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 14. Employee benefits (continued)

### Employee numbers

Employee numbers at end of financial year

As explained in note 1(f), some amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present value of long service leave entitlements:

Weighted average increase in employee costs

Weighted average discount rates

Weighted average settlement period (years from 30 June)

2014 No.	2013 No.
213	212
4.44%	4.50%
3.57%	3.79%
6.20	6.20

## Note 15. Contributed capital

Opening balance at 1 July

Closing balance at 30 June

2014 \$'000	2013 \$'000
441,165	441,165
441,165	441,165

## Note 16. Reserves

Asset revaluation reserve surplus / (deficit)

Movements in reserves

Infrastructure revaluation reserve surplus / (deficit)

Balance 1 July

Transfer from / (to) accumulated funds on disposal of Re-Valued Assets (net of tax effect)

Balance 30 June

13,490	13,325
13,325	11,744
165	1,581
13,490	13,325

The asset revaluation reserve is used to record asset revaluation increments and decrements in the value of non-current physical assets.

## Note 17. Accumulated funds

Opening balance at 1 July

Net result for the period

Transfer from / (to) asset revaluation reserve

Closing balance at 30 June

9,436	4,396
1,448	6,621
(165)	(1,581)
10,719	9,436

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 18. Financial instruments

### (a) Interest rate risk exposure

The following table sets out the Corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominately from assets and liabilities bearing variable interest rates as the Corporation intends to hold fixed rate assets and liabilities to maturity.

	Weighted average effective interest rate %	Floating interest rate \$'000	1 year or less \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 + years \$'000	Non interest bearing \$'000	Total \$'000
<b>2014</b>									
<b>Financial assets:</b>									
- Cash	2.48	258	-	-	-	-	-	2	260
- Receivables <sup>1</sup>	7.84	-	6,499	1,076	1,169	1,269	10,150	1,117	21,280
<b>Total</b>		<b>258</b>	<b>6,499</b>	<b>1,076</b>	<b>1,169</b>	<b>1,269</b>	<b>10,150</b>	<b>1,119</b>	<b>21,540</b>
<b>Financial liabilities:</b>									
- Payables <sup>1</sup>	-	-	-	-	-	-	-	5,280	5,280
- Interest bearing liabilities	5.46	1,211	10,059	10,000	10,000	10,000	37,668	-	78,938
<b>Total</b>		<b>1,211</b>	<b>10,059</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>37,668</b>	<b>5,280</b>	<b>84,218</b>
<b>2013</b>									
<b>Financial assets:</b>									
- Cash	2.70	3,471	-	-	-	-	-	2	3,473
- Receivables <sup>1</sup>	7.80	-	6,591	1,003	1,088	1,180	11,446	754	22,062
<b>Total</b>		<b>3,471</b>	<b>6,591</b>	<b>1,003</b>	<b>1,088</b>	<b>1,180</b>	<b>11,446</b>	<b>756</b>	<b>25,535</b>
<b>Financial liabilities:</b>									
- Payables <sup>1</sup>	-	-	-	-	-	-	-	6,876	6,876
- Interest bearing liabilities	5.60	-	11,043	10,511	10,486	10,521	46,209	-	88,770
<b>Total</b>		<b>-</b>	<b>11,043</b>	<b>10,511</b>	<b>10,486</b>	<b>10,521</b>	<b>46,209</b>	<b>6,876</b>	<b>95,646</b>

Note 1 - The amount disclosed in receivables and payables excludes statutory amounts.

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 18. Financial instruments (continued)

### (b) Net fair value of financial assets and liabilities

The fair value of financial instruments must be estimated for recognition and measurement or for disclosure purposes. Refer to Note 1(n) for accounting policy relating to disclosure of fair value measurement hierarchy.

The following tables present the Corporation's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 2013. It also shows the comparison between the carrying amount of the asset or liability and its fair value.

2014	Carrying amount at 30-Jun-14 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Assets</b>				
<b>Financial assets</b>				
- Cash	260	260	-	-
- Receivables	21,280	7,479	11,787	-
<b>Total assets</b>	<b>21,540</b>	<b>7,439</b>	<b>11,787</b>	<b>-</b>
<b>Liabilities</b>				
<b>Financial liabilities</b>				
- Payables	5,280	5,280	-	-
- Interest bearing liabilities	78,938	-	84,462	-
<b>Total liabilities</b>	<b>84,218</b>	<b>5,280</b>	<b>84,462</b>	<b>-</b>

2013	Carrying amount at 30-Jun-13 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Assets</b>				
<b>Financial assets</b>				
Cash	3,473	3,473	-	-
Receivables	22,062	7,184	12,465	-
<b>Total assets</b>	<b>25,535</b>	<b>10,657</b>	<b>12,465</b>	<b>-</b>
<b>Liabilities</b>				
<b>Financial liabilities</b>				
Payables	6,876	6,876	-	-
Interest bearing liabilities	88,770	-	94,099	-
<b>Total liabilities</b>	<b>95,646</b>	<b>6,876</b>	<b>94,099</b>	<b>-</b>

There have been no transfers between levels during the period.

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial assets and financial liabilities is based upon market prices, where a market exists or by discounting the expected future cash flows at current interest rates. As such the fair value measurement of non-current receivables and interest bearing liabilities are disclosed as level 2 instruments.

Financial assets and financial liabilities are carried at amortised cost.

The carrying amounts of cash and cash equivalents, non-interest bearing receivables and payables are assumed to approximate their fair values due to their short-term nature. These are disclosed as level 3 instruments.

The carrying amounts of interest bearing receivables are more than their respective fair values. The Corporation intends to allow these receivables to run in accordance with their maturities and, accordingly, has decided not to write them down to their fair values.

The carrying amounts of interest bearing liabilities are more than their respective fair values. The Corporation intends to repay these borrowings in accordance with their maturities and, accordingly, has decided not to write them down to their fair values.



# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 19. Commitments

The following commitments are inclusive of GST where applicable.

### Capital commitments

At 30 June 2014, the Corporation had capital commitments for the acquisition and/or construction of plant and equipment not recognised as liabilities payable, to be paid as follows:

Within one year

One to five years

### Total capital commitments

### Operating commitments

At 30 June 2014, the Corporation had operating commitments for the provision of contract and consultancy services to meet the Corporation's operations not recognised as liabilities payable to be paid as follows:

Within one year

One to five years

### Total operating commitments

### Environmental contribution commitments

At 30 June 2014, the Corporation had environmental contribution commitments not recognised as liabilities payable, to be paid as follows:

Within one year

One to five years

### Total environmental contribution commitments

### Total commitments for expenditure

2014 \$'000	2013 \$'000
3,984	6,030
-	-
<b>3,984</b>	<b>6,030</b>
2,407	2,720
764	795
<b>3,171</b>	<b>3,515</b>
2,557	2,557
2,557	5,114
<b>5,114</b>	<b>7,671</b>
<b>12,269</b>	<b>17,216</b>

## Note 20. Contingent liabilities and contingent assets

During the financial year Wannon Water received a claim for additional costs from a contractor for works undertaken at the Portland water reclamation plant. The superintendent has rejected the claim. However, without prejudice, Wannon Water has recognised an undisclosed amount in the 2013-14 financial year relating to the claim. Wannon Water expects the claim to be settled within the next 12 months.

## Note 21. Superannuation

### Post-employment benefit

Wannon Water makes employer superannuation contributions in respect of most of its employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in Comprehensive Operating Statement when they are made or due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Wannon Water and Wannon Water's legal or constructive obligation is limited to these contributions.

### Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee Legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Effective from 1 July 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

## Note 21. Superannuation (continued)

### Defined benefit plan

As provided under Paragraph 34 of AASB 119, Wannon Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Wannon Water in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

### Funding arrangements

Wannon Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund's employer funding arrangements comprise of three components (which are detailed below) being:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employers share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

Wannon Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to in 2 and 3 above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

### Employer contributions

#### Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, Wannon Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, Wannon Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the vested benefit index (VBI) multiplied by the benefit).

#### Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its VBI is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Wannon Water) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- the service periods of all active members split between the active members pre- 1 July 1993 and post- 30 June 1993 service period;
- the service periods of all deferred members split between the deferred members pre- 1 July 1993 and post- 30 June 1993 service period; and
- the pensioner (including fixed term pension) liabilities which are allocated to the pre- 1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 21. Superannuation (continued)

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

### Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in Wannon Water's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

### Retrenchment increments

During 2013-14, Wannon Water was not required to make payments to the Fund in respect of retrenchment increments (\$Nil in 2012/13). Wannon Water's liability to the Fund as at 30 June 2014, for retrenchment increments, accrued interest and tax is \$Nil (\$Nil in 2012/13).

### Shortfall amounts

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which Wannon Water is a contributing employer. Wannon Water was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012.

Wannon Water's share of the shortfall amounted to \$1.458M (excluding contributions tax) which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Non Current Liabilities Provisions.

Wannon Water has not been advised of any further adjustments. The amount of the unpaid shortfall at 30 June 2014 is \$Nil. (\$1.458M for 2012/13)

### Accrued benefits

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standards Board AAS 25 as follows:

#### 31 December 2011

	\$'000
Net Market Value of Assets	4,315,324
Accrued Benefits (per accounting standards)	4,642,133
Difference between Assets and Accrued Benefits	(326,809)
Vested Benefits (Minimum sum which must be paid to members when they leave the Fund)	4,838,503

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

- Net Investment Return	7.50% p.a.
- Salary Inflation	4.25% p.a.
- Price Inflation	2.75% p.a.

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2014. The anticipated completion date of this actuarial investigation is 19 December 2014. Superannuation contributions for the reporting period are included as part of salaries and wages and associated costs in the statement of comprehensive income of the Corporation.

Contributions by Wannon Water (excluding any unfunded liability payments) to superannuation funds for the financial year ended 30 June 2014 are detailed below:

### Fund

State Superannuation Fund - Defined benefits  
Vision Super - Defined benefits  
Vision Super - Accumulation Plan  
Other

### Total contributions

2014	2013
\$'000	\$'000
50	59
112	128
1,126	1,019
111	119
1,399	1,325

As at the reporting date, there were no contributions outstanding and no loans to or from Wannon Water to any of the above funds. The expected contributions to be paid to the defined benefit category for the year ending 30 June 2015 is \$166,000.

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 22. Responsible persons and executive officer disclosures

### (a) Responsible persons

The names of persons who were responsible persons for the full financial year were:

The Hon. Peter Walsh MLA, Minister for Water

#### Board

Chairperson	Mr John Vogels
Deputy Chairperson	Mr Rob Wallis
Director	Mr Rod Coutts
Director	Ms Kate Fraser
Director	Mr Frank Zeigler
Director	Ms Georgina Gubbins
Director	Mr Russell Worland
Managing Director / Accountable Officer	Mr Grant Green

### Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

The number of responsible person's whose remuneration from the Corporation was within the specified bands were as follows:

Income band	2014 No.	2013 No.
\$0 - \$9,999	-	1
\$20,000 - \$29,999	6	5
\$40,000 - \$49,999	1	1
\$300,000 - \$309,999	1	-
\$310,000 - \$319,999	-	1
<b>Total numbers</b>	<b>8</b>	<b>8</b>

Remuneration received or due and receivable from the Corporation in connection with the management of the Corporation (includes termination payments and bonuses paid)

2014 \$'000	2013 \$'000
<b>494</b>	<b>485</b>

### Other related party transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

### (b) Executive Officers' remuneration

The number of executive officers, other than the responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as follows:

Income band	Total Remuneration		Base Remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
\$140,000 - \$149,999	-	1	-	2
\$150,000 - \$159,999	1	1	1	1
\$160,000 - \$169,999	-	1	2	1
\$170,000 - \$179,999	2	-	1	-
\$180,000 - \$189,999	1	-	-	-
\$190,000 - \$199,999	-	1	-	1
\$220,000 - \$229,999	-	1	-	-
<b>Total numbers</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Total annualised employee equivalent (AEE)</b>	<b>4.00</b>	<b>4.87</b>	<b>4.00</b>	<b>4.87</b>

Note: Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

# NOTES TO THE FINANCIAL REPORT

30 June 2014

## Note 22. Responsible persons and executive officer disclosures (continued)

	<b>Total Remuneration</b>		<b>Base Remuneration</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Remuneration received or receivable by executives in respect of the management of the Corporation during the reporting period was:	<b>703</b>	883	<b>657</b>	812

Total remuneration includes bonus payments and annual leave and long-service leave payments made upon cessation of employment.

During the 2012/13 year an executive officer retired. This had a significant impact on total and base remuneration figures in the 2012/13 year due to the inclusion of annual leave and long service leave payments to the executive officer.

No contractors were engaged during the period as executive officers.

## Note 23. Reconciliation of profit / (loss) for the period after related income tax to net cash flows from operating activities

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Net result for the period after income tax	<b>1,448</b>	6,621
<b>Add / (less) non-cash flows in net result</b>		
Depreciation and amortisation	<b>23,873</b>	23,362
Net loss on disposal of non-current assets	<b>1,064</b>	878
Infrastructure assets contributed at no cost	<b>(1,782)</b>	(3,569)
<b>Changes in assets and liabilities</b>		
Decrease (increase) in receivables	<b>580</b>	(712)
Decrease (increase) in inventories	<b>(10)</b>	(18)
Decrease (increase) in prepayments	<b>(1)</b>	(104)
Increase (decrease) in payables	<b>(104)</b>	(1,147)
Increase (decrease) in employee benefits	<b>181</b>	127
Increase (decrease) in net deferred tax liabilities	<b>1,160</b>	1,803
<b>Net cash (outflow) / inflow from operating activities</b>	<b>26,409</b>	27,241

## Note 24. Ex gratia payments

The authority has made the following ex gratia payments during the period:

Forgiveness or waiver of debt (i)	<b>18</b>	-
<b>Total Ex gratia payments</b>	<b>18</b>	-

(i) Relates to forgiveness of debt for high water usage due to identified leaks and customer hardship write-offs. Includes amounts greater than or equal to \$5,000 or those considered material in nature and have been recognised in the comprehensive operating statement under 'Supplies and Services'.

## Note 25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>2014</b>	2013
<b>(a) Victorian Auditor-General's Office</b>		
Audit of financial statements	<b>53</b>	52
<b>(b) Non-Victorian Auditor-General's Office audit firms</b>		
Audit and other assurance services	<b>92</b>	82
<b>Total auditors' remuneration</b>	<b>145</b>	134

## NOTES TO THE FINANCIAL REPORT

30 June 2014

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### Note 26. Events occurring after the balance sheet date

On 11 May 2014 the Minister for Water announced the Victorian Government's Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the next four years.

As part of this initiative, Wannon Water's residential water using customers are entitled to a bill reduction of \$70 in their first quarter bill, for each of the next four years, starting from 2014-15. Based on the conditions of the Victorian Government's Fairer Water Bills \$70 bill reduction, Wannon Water has not met the provision recognition criteria of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, therefore has not recognised a provision as at 30 June 2014. The cost of this initiative to be recognised in the first quarter of 2014-15 is estimated to be \$2.5 million.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

# CERTIFICATION

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## Accountable officer's and chief finance and accounting officer's declaration

The attached financial statements for the Wannon Region Water Corporation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of the Corporation at 30 June 2014.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

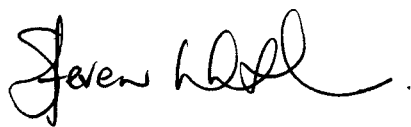
We authorise the attached financial statements for issue on 22 August 2014.



I A Vogels  
Chairman  
Wannon Region Water Corporation



G V Green  
Managing Director  
Wannon Region Water Corporation



S J Waterhouse  
Chief Finance & Accounting Officer  
Wannon Region Water Corporation

DATE: This 22nd day of August, 2014

# AUDITOR-GENERAL'S REPORT

## VAGO

Victorian Auditor-General's Office

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### INDEPENDENT AUDITOR'S REPORT

#### To the Board Members, Wannon Region Water Corporation

##### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of the Wannon Region Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

##### *The Board Members' Responsibility for the Financial Report*

The Board Members of the Wannon Region Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

##### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Auditing in the Public Interest*



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## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Wannon Region Water Corporation as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Wannon Region Water Corporation for the year ended 30 June 2014 included both in the Wannon Region Water Corporation's annual report and on the website. The Board Members of the Wannon Region Water Corporation are responsible for the integrity of the Wannon Region Water Corporation's website. I have not been engaged to report on the integrity of the Wannon Region Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
29 August 2014

  
John Doyle  
Auditor-General

# APPENDIX ONE

## Disclosure index

The 2013/14 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

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# APPENDIX

## ONE

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# GLOSSARY OF TERMS

Aquaculture	The culture of aquatic organisms (such as fish, crustacean and aquatic plants) under controlled conditions
Biodiversity	The number and variety of organisms found within a specified geographic region
Biosolids	Organic solids derived from the treatment of sewage, stabilised to the point of being ready for its intended safe reuse (e.g. as a soil conditioner)
Bulk entitlement	The right and conditions to water held by water corporations and other organisations as defined in the <i>Water Act 1989</i>
Catchment	An area of land on which water may be caught and collected into a stream, reservoir or aquifer
Effluent	An outflow stream from a sewage treatment system
Environment Protection Authority (EPA)	A Victorian Government statutory authority whose purpose is to protect, care for and improve the environment
Essential Services Commission	Victoria's independent economic regulator of prescribed essential utility services supplied by the electricity, gas, water, ports, grain handling and rail freight industries
Greenhouse gas	Any atmospheric gases that contribute to the greenhouse effect
Groundwater	Water beneath the earth's surface in an aquifer or water table
HACCP	Hazard Analysis and Critical Control Points – a risk management framework used to protect the quality of water
Kilolitre (kL)	One thousand (1,000) litres
Major customer	A customer who uses greater than 40 megalitres of water per year
Megalitre (ML)	One million (1,000,000) litres
OH&S	Occupational Health and Safety – the protection of the health, safety and wellbeing of employees, contractors and visitors
Permanent Water Saving Measures	Measures aimed at encouraging households not affected by higher level water restrictions to encourage ongoing water conservation and best-practice water use
Raw water	Water harvested from the surface or below ground prior to any treatment process
Recycled water	Water produced from a water reclamation plant or industry process, treated to a standard appropriate for reuse
Reticulation	A network of pipes for distributing water to areas of consumption, such as residential districts and individual households
Roof Water Harvesting	The process of capturing rain water from roofs in new residential subdivisions and transporting it to an existing raw water storage to be treated before entering the drinking water supply
Sewage	Any human excreta or domestic waterborne waste, whether untreated or partially treated, but does not include trade waste
Sewerage system	The network of pipes, sewers, pump stations, treatment plants and reuse facility or discharge system used to convey of sewage or trade waste
Stakeholder	An individual or group with an interest in an organisation's operations, such as employees, customers, government bodies or the local community
Storm water	Rainfall run-off
Sustainability	The balance of governance, economic, environmental and social factors in the delivery of business operations

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Trade waste	Waterborne waste other than sewage (e.g. industrial or commercial liquid wastes) suitable for discharge into the sewerage system
Unplanned interruption	An unforeseen interruption to a water supply system
Water Plan	A water corporation's five-year organisational plan submitted to the Essential Services Commission, outlining proposals to ensure high quality water and sewerage services for customers, and the balance between the expenditure needed and water, sewerage and trade waste charges
Water reclamation plant	A treatment facility for treating sewage or trade waste suitable for safe reuse or discharge to the environment
Water restriction	A restriction to regulate the use of water from the water supply system in periods of water shortage
Water Supply Demand Strategy (WSDS)	A 50-year plan to provide sustainable water supplies for the community into the future
Water treatment plant	A treatment facility that removes undesirable characteristics from the water, making it "fit for purpose" (such as safe drinking water)

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